



DECISION

Fair Work Act 2009
s.285—Annual wage review

Annual Wage Review 2026 (C2026/1)

JUSTICE HATCHER, PRESIDENT
VICE PRESIDENT ASBURY
VICE PRESIDENT GIBIAN
DEPUTY PRESIDENT MILLHOUSE
MS LABINE-ROMAIN
PROFESSOR BAIRD
MR CULLY

SYDNEY, 2 JUNE 2026

Annual Wage Review 2026.

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Abbreviations and defined terms

Abbreviation / defined term	Definition
ABS	Australian Bureau of Statistics
ACCI	Australian Chamber of Commerce and Industry
ACTU	Australian Council of Trade Unions
AHA	Australian Hotels Association
Ai Group	The Australian Industry Group
<i>ATSIHW Award</i>	<i>Aboriginal and Torres Strait Islander Health Workers and Practitioners and Aboriginal Community Controlled Health Services Award 2020</i> [MA000115]
AWOTE	Average weekly ordinary-time earnings
<i>AWR 2023 decision</i>	<i>Annual Wage Review 2022–23</i> [2023] FWCFB 3500 , 323 IR 332
<i>AWR 2024 decision</i>	<i>Annual Wage Review 2023–24</i> [2024] FWCFB 3500 , 331 IR 248
<i>AWR 2025 decision</i>	<i>Annual Wage Review 2025</i> [2025] FWCFB 3500 , 341 IR 1
BLADE	Business Longitudinal Analysis Data Environment
Budget	Australian Government Budget 2026–27
C10 Metals Framework	14-level classification structure adopted for the <i>Metal Industry Award 1984</i> in 1990, built around the C10 classification at the trade-qualified level, and expressing the rates of pay for other classifications as a percentage of the C10 rate
C10 Metals Framework Alignment Approach	Approach to setting award minimum wage rates described in the <i>Stage 1 Aged Care decision: Aged Care Award 2010; Nurses Award 2020; Social, Community, Home Care and Disability Services Industry Award 2010</i> [2022] FWCFB 200 , 319 IR 127 at [177]–[178]
C12 classification	Modern award classification with a minimum wage rate at or near to the C12 rate
C12 rate	\$982.40 per week or \$25.85 per hour as at 2 June 2026

Abbreviation / defined term	Definition
C13 classification	Modern award classification with a minimum wage rate at or near to the C13 rate
C13 rate	\$948.00 per week or \$24.95 per hour as at 2 June 2026
C13 Report	Alexa Kuzyk et al, C12 and C13 Classification Rates in Modern Awards (Fair Work Commission Background Paper, 27 February 2026, updated 16 April 2026)
C14 classification	Modern award classification with a minimum wage rate at or near to the C14 rate
C14 rate	\$922.70 per week or \$24.28 per hour as at 2 June 2026
C14 review	Review of C14 and C13 rates in modern awards (matter C2019/5259)
CoE	<i>Characteristics of Employment</i> statistics published by the ABS
CPI	Consumer Price Index
<i>CS Award</i>	<i>Children's Services Award 2010</i> [MA000120]
EEH	<i>Employee Earnings and Hours</i> statistics published by the ABS
<i>Fast Food Award</i>	<i>Fast Food Industry Award 2020</i> [MA000003]
FW Act	<i>Fair Work Act 2009</i> (Cth)
GDP	Gross domestic product
HILDA	Household, Income and Labour Dynamics in Australia
<i>Hospitality Award</i>	<i>Hospitality Industry (General) Award 2020</i> [MA000009]
<i>HPSS Award</i>	<i>Health Professionals and Support Services Award 2020</i> [MA000027]
<i>Junior Rates decision</i>	<i>Application by Shop, Distributive and Allied Employees Association</i> [2026] FWCFB 75
LCI	Living Cost Index
<i>Manufacturing Award</i>	<i>Manufacturing and Associated Industries and Occupations Award 2020</i> [MA000010]

Abbreviation / defined term	Definition
MIHL	Minimum Income for Healthy Living
NMW	National minimum wage
<i>Pharmacy Award</i>	<i>Pharmacy Industry Award 2020</i> [MA000012]
Priority Awards Review	Gender-based undervaluation – priority awards review commenced pursuant to the Expert Panel’s remarks in the <i>AWR 2024 decision</i> at [111]–[123] (matters AM2024/19, AM2024/20, AM2024/21, AM2024/22 and AM2024/23)
<i>Restaurant Award</i>	<i>Restaurant Industry Award 2020</i> [MA000119]
<i>Retail Award</i>	<i>General Retail Industry Award 2020</i> [MA000004]
Review	Annual wage review conducted pursuant to s 285 of the FW Act
RBA	Reserve Bank of Australia
RBA May Statement	RBA Statement on Monetary Policy (May 2026)
<i>SCHADS Award</i>	<i>Social, Community, Home Care and Disability Services Industry Award 2010</i> [MA000100]
SJBP Act	<i>Fair Work Legislation Amendment (Secure Jobs, Better Pay) Act 2022</i> (Cth)
<i>Stage 3 Aged Care decision</i>	<i>Aged Care Award 2010; Nurses Award 2020; Social, Community, Home Care and Disability Services Industry Award 2010</i> [2024] FWCFB 150 , 331 IR 137
<i>Vehicle Award</i>	<i>Vehicle Repair, Services and Retail Award 2020</i> [MA000089]
<i>Veterinary Award</i>	<i>Animal Care and Veterinary Services Award 2020</i> [MA000118]
VNCA	Veterinary Nurses Council of Australia
XSBI Report	Xero Small Business Insights Australia Update for January–March 2026, 30 April 2026
WPI	Wage Price Index

The Annual Wage Review Decision 2026

1. Overview of the decision

[1] The Fair Work Commission is required under s 285 of the *Fair Work Act 2009* (Cth) (**FW Act**) to conduct an annual wage review (**Review**) each financial year. The Review has two main functions. The first is to review, and make, the national minimum wage (**NMW**) order. The NMW has very limited practical operation. It applies only to any persons in the national industrial relations system who are not covered by a modern award or an enterprise agreement. Such persons constitute, at best, only a small fraction of the workforce.

[2] The second and more important function is to review the minimum wage rates prescribed by modern awards and to consider whether they should be adjusted. Approximately 21.1 per cent of employees in Australia, amounting to almost 2.8 million persons, are paid at an applicable minimum wage rate under a modern award and are thus directly affected by Review decisions. The characteristics of these employees are significantly different to those of the workforce generally: they predominantly work part-time hours, are female-dominated, and a majority are casuals. In addition, they are disproportionately low-paid, and immigrants from countries other than the main English-speaking countries and Indigenous Australians are over-represented in this cohort. The wages paid to modern award-reliant employees constitute only about 11.2 per cent of the national ‘wage bill’ because of the part-time and low-paid characteristics of these workers. This means that the overall effect of the Review is limited: the 2025 Review, which awarded a 3.5 per cent increase, directly contributed no more than 0.36 of a percentage point to overall growth of 3.3 per cent in the Wage Price Index (**WPI**) to the March quarter 2026.¹ The Review is, however, obviously of significance to lower-paid workers in the community whose pay is determined by modern award wage rates and to those who employ them. Modern award-reliant employees are also concentrated in certain sectors of the economy and, consequently, the Review has a relatively greater practical impact in these sectors. In particular, four industry divisions — Accommodation and food services, Retail trade and Administrative and support services in the market sector and Health care and social assistance in the non-market sector — account for over two-thirds of all modern award-reliant employees.²

[3] The Review is required to be conducted in accordance with the statutory framework of the FW Act.³ The minimum wages objective in s 284(1) of the FW Act requires the Commission to establish and maintain a safety net of fair minimum wages taking into account a number of identified matters including the performance and competitiveness of the national economy, the need to achieve gender equality, promoting social inclusion through increased workforce participation, and relative living standards and the needs of the low paid. The modern awards objective in s 134(1) of the FW Act also requires that a number of identified considerations be taken into account. In discharging its functions under the statutory scheme, the Commission must make an evaluative judgment based on a complex balancing of the prescribed and other relevant considerations. In undertaking this task, we have taken into account submissions made

¹ *Statistical Report — Annual Wage Review 2026* (Fair Work Commission, 14 May 2026) Table 5.3 (seasonally adjusted).

² Australian Bureau of Statistics (**ABS**), *Microdata: Employee Earnings and Hours, Australia [DataLab]*, May 2025.

³ The interpretation and application of the current statutory scheme for the conduct of the Review was the subject of detailed analysis in the *Annual Wage Review 2022–23 decision* [2023] FWCFB 3500, 323 IR 332 [12]–[45] (**AWR 2023 decision**). That analysis is adopted for the purpose of this decision.

by a wide range of parties including employer and union organisations, and federal and State Governments.⁴

[4] The decision we have made is as follows. The NMW will be increased to \$1004.90 per week, or \$26.44 per hour. This increase maintains the alignment between the NMW and the C13 classification rate in modern awards which was established in the 2023 Review. This increase will take effect from 1 July 2026. Having regard to the negligible proportion of the workforce to which the NMW applies, this outcome will not have any discernible macro-economic effects.

[5] As earlier stated, the adjustment of modern award minimum wage rates is the most important part of this Review. Our decision in this respect has two elements. The principal element is that modern award minimum wage rates will be increased by 4.75 per cent. However, this is subject to a structural adjustment we have decided to make to the lowest-paid classifications in modern awards, namely classifications paid at the C13 and C14 wage rates. The C13 rate is the lowest wage rate applicable to ongoing employment in the modern award system, and the C14 rate is a special entry-level wage rate applicable to a limited initial period of employment. As foreshadowed in last year's Review, we have decided to phase out classifications paid at the C13 level and to make the next wage level up, the C12 level, the lowest wage rate for ongoing employment. We will do this in three stages, with the first stage being implemented as part of this Review. This will involve the C13 rate being increased by an additional amount representing one-third of the difference between the C13 and the C12 rates. The C14 rate will be increased by the same percentage amount as the C13 rate to maintain its current relativity to C13. These adjustments will result in the lowest wage rate in the modern award system applicable to ongoing employment being \$1004.90 per week or \$26.44 per hour, and the lowest wage rate applicable to entry-level employment for a period of no more than six months being \$978.10 per week or \$25.74 per hour.

[6] The determination of this year's Review outcome has been particularly challenging because of the degree of complexity in the interaction of the matters we are required to take into account. Until February this year, most elements of economic and business performance were sound, with healthy economic growth and growth in jobs and hours worked, productivity, and business profits and investment during 2025, while wages growth remained moderate and real unit labour costs did not increase. However, the economy encountered capacity constraints in the latter half of 2025, with the result that the rate of inflation increased more than forecast to be well above the Reserve Bank of Australia's (RBA) target band. In response to this, the RBA has tightened monetary policy by increasing interest rates three times this year, which will undoubtedly slow down the economy in the year ahead. In addition to this, the Australian economy faces the wild card of the Middle East conflict which unexpectedly broke out on 28 February 2026. The consequential disruption to oil supplies has accelerated inflation in Australia through direct effects on the price of petrol and diesel and second round effects on the price of a range of goods and services. This has added uncertainty as to the trajectory of the economy at least in the near future, although we note that the RBA and Budget forecasts for the economy to the end of financial year 2026–27 have not substantially changed because of the conflict and the Consumer Price Index (CPI) is projected to return to within the RBA's target band by that time.

⁴ A list of parties that filed submissions is set out in the appendix to this decision.

[7] A fundamental consideration which must be balanced against these matters is that modern award-reliant employees are still in the position where their wage rates, in real terms, remain lower than what they were in July 2021 prior to the post-pandemic spike in inflation. The ‘real wage gap’ which has opened between the rate of the CPI and modern award wage rates has particularly affected living standards of the low paid, the majority of whom are modern award-reliant, and their capacity to meet their needs. This is particularly the case when the rate of inflation for non-discretionary essential goods and services is running significantly higher than the headline CPI rate of inflation. The outcome of the 2025 Review, which involved a real wage increase, narrowed the real wage gap to a significant degree at the time it took effect (1 July 2025). However, the accelerated rate of inflation since then has substantially opened up that gap yet again, to the extent that the RBA forecasts that the headline rate of inflation for the year to June 2026 will be 4.8 per cent.

[8] Taking into account all of these matters, we have concluded, regrettably, that it is not practicable in the current uncertain circumstances to award a real wage increase for employees reliant on modern award wage rates that would be sufficient to close the real wage gap entirely. The outcome we have determined will, however, at least ensure that modern award-reliant employees generally are not worse off in real terms than they were as at 1 July 2025. Further, the structural adjustment we have decided to make to the C13 rate will ensure a higher level of wage increase for the very lowest-paid workers in our community and will at least close the real wage gap for them. Finally, because modern award-reliant employees are predominantly female, the increase we have determined, which is higher than projected wages growth for the workforce as a whole in 2026–27, is likely to result in some contribution to reducing the gender pay gap.

[9] The full reasons for our decision are set out below. The reasons are structured in the following way. Section 2 of the decision contains our analysis as to the size and characteristics of the modern award-reliant segment of the workforce which is directly affected by the Review and the practical effect of the Review upon the labour market. In sections 3–10, we deal with the mandatory considerations in the minimum wages objective in s 284(1) of the FW Act, and also with those considerations in the modern awards objective in s 134(1) with which they overlap, as follows:

3. National economic and business considerations: ss 284(1)(a), 134(1)(f) and (h).
4. Gender equality: ss 284(1)(aa), 134(1)(ab).
5. Workforce participation: ss 284(1)(b), 134(1)(c).
6. Relative living standards and the needs of the low paid: ss 284(1)(c), 134(1)(a).
7. Fair minimum wages for junior employees, trainees and employees with a disability: s 284(1)(e).
8. Access to secure work: s 134(1)(aa).
9. Encouragement of collective bargaining: s 134(1)(b).
10. Remaining matters: ss 134(1)(d), (da) and (g).

[10] In section 11, we set out how we have weighed the mandatory considerations and other relevant matters to reach the outcome we have determined. In section 12, we set out our conclusion as to the orders and determinations to be made.

2. Scope and effect of the Review

[11] The necessary starting point in considering how to discharge our duties and exercise our powers under s 285 of the FW Act is a comprehensive understanding of the size and characteristics of that part of the labour market which is directly affected by Review decisions. By ‘directly affected’, we mean employers who will legally be obliged to adjust wages, and employees who will legally be entitled to receive adjusted wages, as a result of the operation of the FW Act in respect of Review decisions.⁵

[12] As in previous Reviews, we analyse directly-affected employees using data concerning employees whose actual rate of pay is set by the NMW (**NMW-reliant employees**) or by a modern award (**modern award-reliant employees**) derived from the *Employee Earnings and Hours (EEH)* survey published by the Australian Bureau of Statistics (**ABS**). The most recent EEH survey was undertaken in May 2025, and we set out below updated analyses based on this data. Additionally, we refer to new research undertaken using data derived from additional sources, namely the Household, Income and Labour Dynamics in Australia (**HILDA**) survey and the Business Longitudinal Analysis Data Environment (**BLADE**).

[13] Recent Review decisions have concluded that NMW-reliant employees constitute only a very small proportion of the workforce. In the *Annual Wage Review 2023–24* decision⁶ (**AWR 2024 decision**), the Expert Panel stated that previously-accepted estimates that NMW-reliant employees made up about 0.7 per cent of the workforce required ‘significant downward revision’.⁷ This estimate, which emanated from submissions made to previous Reviews by the Australian Government, was based on an analysis of 2021 EEH survey data which identified those employees who were paid an ordinary-time rate of pay which approximated the amount of the NMW, and whose ordinary pay was set by an individual agreement rather than a collective agreement or an award, as NMW-reliant employees. However, a research report prepared for the 2023–24 Review⁸ which analysed the data in the 2021 EEH survey concerning the characteristics of this cohort of employees demonstrated that all, or nearly all, of them worked in industries and occupations covered by modern awards — meaning that they could not be NMW-reliant employees. The *AWR 2024 decision* concluded that:⁹

... this data tends to indicate that (at least) a substantial proportion of employer EEH survey responses identifying employees paid at around the NMW rate as not having their pay set by an award are likely to be incorrect. It is possible that what this data discloses instead is award non-compliance.

...

... our conclusion in the absence of any evidence to the contrary is that the number of NMW-reliant employees is much lower than the Australian Government estimates ...and is likely to be very small. The upshot of this is that the NMW has very limited practical effect in the Australian industrial relations landscape notwithstanding its role in the statutory annual wage review scheme.

⁵ Section 293 of the FW Act provides that an employer must not contravene a term of a NMWO. Section 45 provides that a person must not contravene a term of a modern award, and the effect of s 46 is that a modern award only imposes obligations upon or provide entitlements to a person where it applies to the person. Sections 45 and 293 are civil remedy provisions.

⁶ [2024] FWCFB 3500, 331 IR 248.

⁷ Ibid [14].

⁸ Joshua Tomlinson, *Characteristics of Employees on the National Minimum Wage* (Fair Work Commission Research Report No 1/2024, February 2024).

⁹ [2024] FWCFB 3500, 331 IR 248 [25], [28].

[14] No evidence or material was presented in the 2025 Review to challenge this conclusion and, in the *Annual Wage Review 2025 decision*¹⁰ (*AWR 2025 decision*), the Expert Panel affirmed that ‘the number of NMW-reliant employees is very small and that the NMW has very limited practical effect’.¹¹ No party in this Review has, at least in express terms, sought to persuade us to depart from this conclusion. The Australian Government’s submission estimates, by reference to data derived from the 2025 EEH survey as to employees earning within a range of 25 cents of the hourly rate of the NMW, that there are about 23,900 NMW-reliant employees constituting 0.2 per cent of the workforce. However, the Australian Government has not attempted to address the analysis in the *AWR 2024 decision*. We consider, having regard to that analysis, that the number of NMW-reliant employees, and their proportion of the workforce, are likely to be only a fraction of the Australian Government’s estimates. We affirm the conclusions concerning NMW-reliant employees stated in the *AWR 2024 decision* and the *AWR 2025 decision*.

[15] The proportion of the workforce constituted by modern award-reliant employees has slightly increased in recent years. Analysis of the 2025 EEH survey data discloses that 21.1 per cent are modern award-reliant, compared to 20.7 per cent for the 2023 EEH survey and 20.5 per cent for the 2021 EEH survey. The key characteristics of the modern award-reliant workforce, derived from the 2025 EEH data, are set out in the following table:

Table 1: Characteristics of modern award-reliant employees, 2025

	Modern award-reliant employees	Employees not modern award-reliant	All employees	Proportion of employees that are modern award-reliant
Full-time hours (%)	28.2	66.8	58.7	10.1
Part-time hours (%)	71.8	33.2	41.3	36.7
Average weekly paid hours	24.1	32.8	31.1	n/a
Casual (%)	55.0	13.5	22.6	53.5
Permanent/fixed term (%)	45.0	86.5	77.4	12.8
Average age (years)	34.1	41.4	39.9	n/a
Junior rates of pay (%)	11.6	1.9	4.0	61.9
Employed by small business (1–19 employees) (%)	30.5	22.3	24.0	26.8
Female (%)	60.6	49.9	52.1	24.5
Low paid (%)	35.9	6.0	11.7	58.4

Source: ABS, *Microdata: Employee Earnings and Hours* [DataLab], May 2025.

[16] A number of these characteristics have been the subject of significant change over the last decade: in particular, the modern award-reliant workforce has become more female, more likely to work part-time hours and more casualised.¹²

[17] A recent study (April 2026) by Wilkins has used data from the HILDA survey to identify some additional personal characteristics of private sector award-reliant employees (assessed as

¹⁰ [2025] FWCFB 3500, 341 IR 1.

¹¹ Ibid [15].

¹² *Statistical Report — Annual Wage Review 2026* (Fair Work Commission, 14 May 2026) Chart 7.2, Table 7.4.

approximately equivalent to modern award-reliant employees). Most notably, Wilkins concludes:¹³

Estimates for place of birth and Indigenous status show that immigrants from countries other than the main English-speaking countries (United Kingdom, United States, Canada and New Zealand) have the highest probability of being award reliant, followed by Indigenous employees.

[18] In respect of the disproportionate representation of indigenous employees in the cohort of modern award-reliant employees, Wilkins' conclusion is consistent with the submission made by the Centre for Indigenous People and Work to the effect that Aboriginal and Torres Strait Islander employees are disproportionately reliant on Review wage adjustment outcomes. This submission is based on research undertaken by the Australian Institute of Health and Welfare and Jobs and Skills Australia showing that Aboriginal and Torres Strait Islander employees are more concentrated in the most modern award-reliant industries — particularly Health Care and social assistance and Retail trade, and also occupations within Accommodation and food services.¹⁴

[19] Commission staff (Strong and van Netten) have undertaken new research, using HILDA data, concerning the job mobility of award-reliant employees over the period 2008 to 2023.¹⁵ This research showed that rates of job switching, and leaving employment, were highest amongst award-reliant employees compared to employees covered by enterprise agreements or individual arrangements.

Table 2: Labour market transitions and job switching rates by method of setting pay

	Award (%)	Collective agreement (%)	Individual arrangement (%)	All employees (%)
Labour market state in the following year				
Remained an employee	86.8	93.9	89.8	90.7
Became employer/self-employed	1.6	0.9	3.5	2.2
Left employment (unemployed or left labour market)	11.6	5.2	6.7	7.1
Total	100.0	100.0	100.0	100.0
Switched jobs*	21.7	9.6	17.0	15.2

Note: * Those who switched jobs may have become an employer/self-employed.

Source: Justin Strong and Jamie van Netten, *Labour Mobility of Award-reliant Employees* (Fair Work Commission Research Report No 1/2026, February 2026) Table 3.

[20] The job switching data also shows that the median growth in hourly earnings resulting from job switching is higher for award-reliant employees (10.7 per cent) than for those under collective agreements (7.3 per cent) or individual arrangements (9.3 per cent).¹⁶

¹³ Roger Wilkins (2026), *Labour Market and Income Trajectories of Award-reliant Workers: Evidence from the HILDA Survey* (Australian Economic Review, April 2026) 7.

¹⁴ [Centre for Indigenous People and Work initial submission](#), 26 March 2026 3.

¹⁵ Justin Strong and Jamie van Netten, *Labour Mobility of Award-reliant Employees* (Fair Work Commission Research Report No 1/2026, February 2026).

¹⁶ Ibid Table 19.

[21] Strong and van Netten have also compared job tenure by method of setting pay over the same period, which shows that short-term job tenure (less than two years) is much more prevalent amongst award-reliant employees than other employees.

Table 3: Job tenure by method of setting pay

Job tenure	Award (%)	Collective agreement (%)	Individual arrangement (%)	All employees (%)
Less than 1 year	31.6	13.4	21.8	20.6
1 year	13.5	7.4	10.4	9.9
2 to 5 years	34.4	29.3	35.5	32.9
6 to 10 years	11.6	19.6	17.0	16.9
11 to 20 years	6.8	18.6	11.2	13.1
More than 20 years	2.1	11.8	4.1	6.6
Total	100	100	100	100
Average job tenure (years)	3.8	8.8	5.4	6.4

Source: Justin Strong and Jamie van Netten, *Labour Mobility of Award-reliant Employees* (Fair Work Commission Research Report No 1/2026, February 2026) Table 7.

[22] The job switching and job tenure data provides some support for the ‘stepping stone’ thesis — that is, that low-paid work has a role in providing an entry into the labour market and a transition point to higher-paid work. However, the data also demonstrates that a majority of those employees who were award-reliant at the time of the survey had been in their current employment for two years or more, and over 20 per cent had been for six years or more. Additionally, a separate analysis of the HILDA data undertaken by Strong and van Netten shows that, of all persons who had been employees for five or more years in the period 2014–2023, 14.2 per cent had been award-reliant for 50 per cent or more of the period of their employment, and 5.6 per cent had been award-reliant for 75 per cent or more of their employment. This points to the entrenchment of low-paid employment for a significant minority segment of the workforce.

[23] Modern award-reliant employees are concentrated within the coverage of a limited number of modern awards. Based on the 2025 EEH survey data, 40 per cent of modern award-reliant employees are covered by three modern awards — the *Social, Community, Home Care and Disability Services Industry Award 2010 (SCHADS Award)* — 14.3 per cent), the *Hospitality Industry (General) Award 2020 (Hospitality Award)* — 13.1 per cent) and the *General Retail Industry Award 2020 (Retail Award)* — 12.6 per cent) — and 70.5 per cent are covered by 10 modern awards.¹⁷ The concentration of modern award-reliant employees under a small number of awards has increased significantly in recent years: the equivalent figures from the 2021 EEH data were that 31 per cent were covered by three modern awards and 63.4 per cent were covered by 10 modern awards.

[24] The key characteristics of modern award-reliant employees to whom the top 10 awards apply are set out in the following table.

¹⁷ *Statistical Report — Annual Wage Review 2026* (Fair Work Commission, 14 May 2026) Table 7.7.

Table 4: Most common modern awards and their characteristics

Modern award	Share of modern award-reliant employees	Part-time employees	Average weekly paid hours	Casual employees	Females	Low-paid employees
	(%)	(%)	(%)	(%)	(%)	(%)
<i>SCHADS Award</i>	14.3	83.7	23.4	54.3	72.7	6.0
<i>Hospitality Award</i>	13.1	78.1	22.8	73.1	64.9	46.2
<i>Retail Award</i>	12.6	81.4	20.0	65.0	70.3	46.1
<i>Restaurant Industry Award 2020 (Restaurant Award)</i>	7.4	86.2	21.2	74.2	64.1	49.6
<i>Fast Food Industry Award 2020 (Fast Food Award)</i>	6.9	89.9	16.0	59.8	58.7	48.4
<i>Children's Services Award 2010 (CS Award)</i>	4.4	73.3	25.8	25.2	97.1	17.1
<i>Clerks—Private Sector Award 2020¹⁸</i>	3.7	58.4	27.3	26.6	85.6	25.4
<i>Building and Construction General On-site Award 2020¹⁹</i>	2.9	31.6	37.0	36.1	14.2	20.5
<i>Cleaning Services Award 2020²⁰</i>	2.7	87.4	20.6	49.0	65.3	39.3
<i>Vehicle Repair, Services and Retail Award 2020 (Vehicle Award)</i>	2.5	44.2	30.2	33.0	15.4	41.9

Source: ABS, *Microdata: Employee Earnings and Hours, Australia* [DataLab], May 2025.

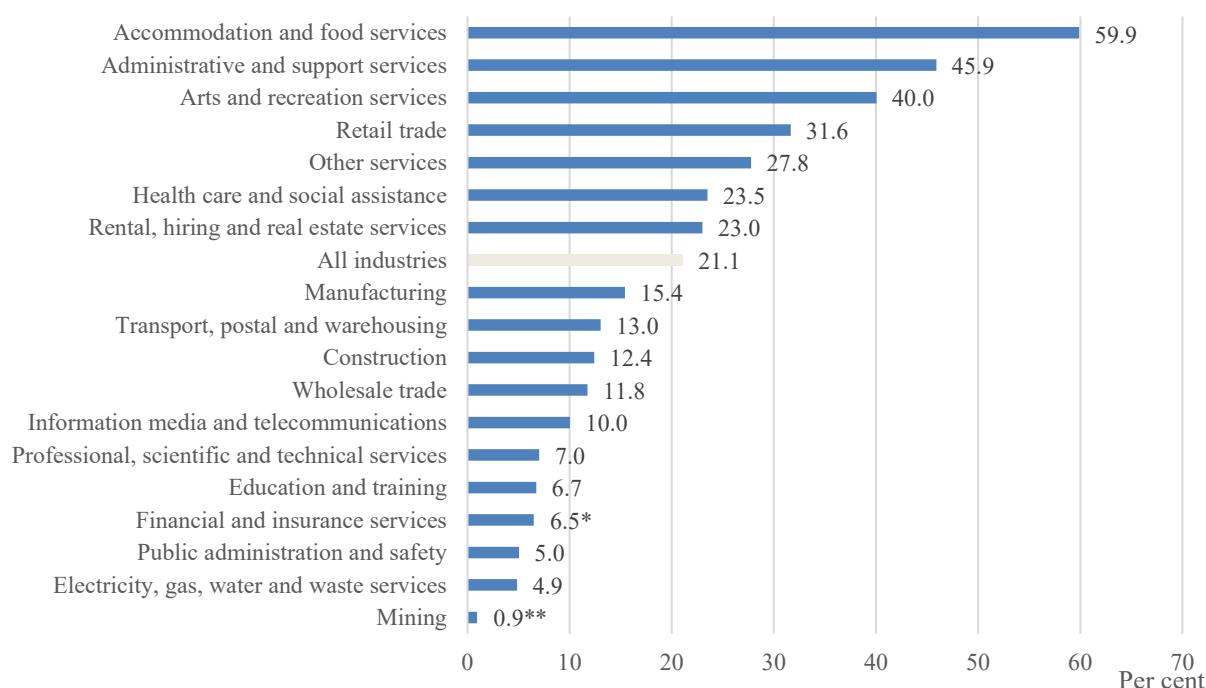
[25] Modern award-reliant employees are also concentrated in particular industry divisions, with over two-thirds (67.9 per cent) of all modern award-reliant employees employed in four industry divisions, namely Accommodation and food services (22.8 per cent), Health care and social assistance (19.3 per cent), Retail trade (13.8 per cent), and Administrative and support services (11.9 per cent).²¹ The degree of modern award-reliance within industry divisions also differs markedly, Accommodation and food services being the highest with 59.9 per cent of all employees being modern award-reliant.

¹⁸ MA000002.

¹⁹ MA000020.

²⁰ MA000022.

²¹ ABS, *Microdata: Employee Earnings and Hours, Australia* [DataLab], May 2025.

Chart 1: Modern award reliance by industry, 2025

Note: * Estimate has a relative standard error of between 25 per cent and 50 per cent and should be used with caution. ** Estimate has a relative standard error of more than 50 per cent and is considered too unreliable for general use.

Source: *Statistical Report — Annual Wage Review 2026* (Fair Work Commission, 14 May 2026) Chart 7.4.

[26] New research undertaken by Commission staff (Tomlinson and Lipp), using data from the BLADE, provides greater insight into levels of award reliance amongst employers' workforces.²² The analysis conducted by Tomlinson and Lipp concerns reliance on all awards (not just modern awards) by all employers which employ persons other than owner-managers except for those in the Agriculture, forestry and fishing industry division. The analysis shows, by reference to employer size categories, the average proportion of persons employed by employers who are paid an award rate of pay and the proportion of employers with at least some employees paid an award rate.

Table 5: Proportion of employees paid by an award, by employer size

Employer size	Average proportion of employees paid an award rate of pay (%)	Proportion of employers who pay at least some employees an award rate of pay (%)
Small – 1 to 19 employees	26.6	37.0
Medium – 20 to 49 employees	40.1	55.9
Medium – 50 to 199 employees	32.7	48.0
Large – 200 to 999 employees	25.6	39.4
Large – 1000 and over employees	19.4	35.6
All employers	28.3	39.6

Source: Josh Tomlinson and Josh Lipp, *Award use at the employer level: Overview using the Business Longitudinal Administrative Dataset Environment (BLADE)* (Fair Work Commission Research Note, February 2026) Chart 1.

²² Josh Tomlinson and Josh Lipp, *Award use at the employer level: Overview using the Business Longitudinal Administrative Dataset Environment (BLADE)* (Fair Work Commission Research Note, February 2026).

[27] Again within employer size categories, Tomlinson and Lipp also provide further data concerning the extent of award reliance as follows:²³

Table 6: Share of all employers in each size and award share range

Employer size	No employees paid an award rate of pay (%)	Up to 50 per cent paid an award rate of pay	Over 50 per cent paid an award rate of pay
Small – 1 to 19 employees	63.0	12.3	24.7
Medium – 20 to 199 employees	46.5	16.3	37.2
Large – 200 and over employees	61.3	15.0	23.6
All employers	60.4	13.0	26.6

Source: Josh Tomlinson and Josh Lipp, *Award use at the employer level: Overview using the Business Longitudinal Administrative Dataset Environment (BLADE)* (Fair Work Commission Research Note, February 2026) Table 5.

[28] Two conclusions may be drawn from the above data. The first is that a significant majority of employers (60.4 per cent) do not pay *any* of their employees an award rate of pay and thus are unlikely to be directly affected by the Review. The balance (39.6 per cent) will include some State public sector employers bound by State awards who will not be directly affected by the Review. However, about a quarter of employers pay more than half their employees an award rate of pay and are, potentially, affected by the Review in a significant way. Second, the degree of award reliance is most significant amongst medium-sized employers. However, it must be noted that, because small employers make up 83.3 per cent of all businesses by number, the large majority of award-reliant employers are small employers.²⁴

[29] Tomlinson and Lipp also confirm that the degree of employer award reliance differs significantly as between industries.

Table 7: Share of businesses with some employees paid by awards, by industry division

Industry division	Proportion of employers who pay at least some employees an award rate of pay (%)	Proportion of employers who pay over 50 per cent of employees an award rates of pay (%)
Accommodation and Food Services	75.9	66.6
Arts and Recreation Services	63.0	47.4
Retail Trade	55.0	40.1
Health Care and Social Assistance	45.9	34.3
Public Administration and Safety	42.5	30.1
Education and Training	40.2	24.9
Manufacturing	39.8	23.7
Administrative and Support Services	39.6	28.3
Construction	37.1	20.9
Other Services	36.7	23.6
Transport, Postal and Warehousing	36.3	25.7
Wholesale Trade	31.4	15.6
Rental, Hiring and Real Estate Services	28.3	16.8
Electricity, Gas, Water and Waste Services	21.9	np
Finance and Insurance Services	19.6	np
Professional, Scientific and Technical Services	18.1	np
Information, Media and Telecommunications	14.4*	np

²³ Ibid Table 5.

²⁴ Ibid.

Industry division	Proportion of employers who pay at least some employees an award rate of pay (%)	Proportion of employers who pay over 50 per cent of employees an award rates of pay (%)
Mining	14.3*	np

Note: np = not cleared as data did not meet clearance requirements. * Estimate has a relative standard error of between 25 per cent and 50 per cent and should be used with caution.

Source: Josh Tomlinson and Josh Lipp, *Award use at the employer level: Overview using the Business Longitudinal Administrative Dataset Environment (BLADE)* (Fair Work Commission Research Note, February 2026) Charts 3 and 4.

[30] The table above shows that the Accommodation and food services industry is the only industry where a majority of employers (66.6 per cent) have award-reliant employees constituting a majority of their workforce. Indeed, a majority of employers in Accommodation and food services (53.5 per cent) have over 75 per cent of their workforce as award-reliant (compared to 34.1 per cent for Arts and recreation services and 33.2 per cent for Retail trade).²⁵

[31] The impact of the Review upon the national economy may be measured by the share of the national ‘wage bill’ — that is, total wages compensation paid to all employees — that is paid to modern award-reliant employees. This share, calculated at 11.2 per cent based on 2025 EEH survey data, remains significantly lower than the proportion of the workforce which is modern award-reliant. This is because, as earlier discussed, modern award-reliant employees characteristically work less hours and are lower-paid than the workforce average.

Table 8: Award-dependent wages in the total economy, modern award-reliant employees

Measure	2023	2025
Workers covered by modern awards (%)	20.7	21.1
Total wages paid to modern award-reliant employees (\$ million, per week)	2,003	2,372
Total wages paid, all employees (\$ million, per week)	18,762	21,207
Wage bill share (per cent)	10.7	11.2
Total compensation covered by modern award-reliant employees (\$billion per year)	130.4	155.5

Source: *Statistical Report — Annual Wage Review 2026* (Fair Work Commission, 14 May 2026) Table 7.8.

[32] Because modern award-reliant employees’ share of the national ‘wage bill’ is relatively small, the contribution made by Review wage adjustments to the WPI is proportionately modest. Last year’s increase of 3.5 per cent to modern award wage rates directly contributed no more than 0.36 of a percentage point (identifiable from the wage increases to award-reliant employees in the September quarter 2025) to a total WPI increase of 3.3 per cent for the year to March 2026 (seasonally adjusted). This data suggests that each percentage point increase to modern award wage rates as a result of the Review moves the WPI directly by roughly 0.1 of a percentage point annually.

²⁵ Ibid Chart 4.

Table 9: Contributions to the WPI, by method of wage setting

Quarter	Enterprise agreement (%)	Individual arrangement (%)	Award (%)	Total increase (original) (%)	Total increase (seasonally adjusted) (%)
June 2025	0.24	0.31	0.01	0.6	0.9
September 2025	0.50	0.55	0.36	1.4	0.8
December 2025	0.31	0.35	0.07	0.7	0.8
March 2026	0.28	0.25	0.01	0.5	0.8
Sum over year	1.33	1.46	0.45	3.2	3.3

Source: *Statistical Report — Annual Wage Review 2026* (Fair Work Commission, 14 May 2026) Table 5.3; ABS, *Wage Price Index, Australia*, March 2026.

[33] The outcome of the Review also has indirect effects. In particular, a proportion of enterprise agreements (4.7 per cent) provide for wage increases which are directly linked to Review outcomes. As at December 2025, these agreements applied to about 12.4 per cent of all employees covered by enterprise agreements and 2.7 per cent of all employees. Thus, the Review will have had the indirect effect of making a small contribution to the 0.50 per cent increase to wages for employees under enterprise agreements in the September quarter 2025 indicated in Table 9 above. Review outcomes are also typically flowed to a small number of employees in State industrial relations systems via State Wage Cases. However, this ordinarily occurs during the September quarter, so the effect of this in 2025 was likely included in the 0.36 per cent award contribution to wages growth recorded for that quarter. More indirect effects include the effect on enterprise bargaining caused by the interaction between increased rates of pay in modern awards and the ‘better off overall’ test for approval of enterprise agreements (ss 186(2)(d) and 193 of the FW Act) and ‘signalling’ to the labour market generally. These effects are not possible to quantify in any meaningful way.

3. Economic, labour market and business considerations

[34] Sections 284(1)(a) and 134(1)(f) and (h), which identify the economic and business considerations we are required to take into account, are expressed in different but overlapping ways. The matters referred to in ss 284(1)(a) and 134(1)(h) are broadly concerned with various aspects of the national economy, while s 134(1)(f) is concerned with effects on ‘business’ — that is, enterprises engaged in commercial or trading activity. Sections 134(1)(f) and (h) require consideration of ‘the likely impact of any exercise of modern award powers’ on business and the economy which, in the context of the Review, necessarily involves a predictive or speculative assessment of the effects which might reasonably be expected to follow from potential outcomes of the Review.²⁶ This section of the decision addresses these considerations as follows. *First*, we deal with the current and expected future performance and competitiveness of the national economy, with a focus on the specific matters identified in s 284(1)(a) (and also referred to in s 134(1)(h)). *Second*, we consider how potential outcomes of the Review would likely affect the national economy (s 134(1)(h)). *Third*, we consider the likely impact of the Review on business, with a primary focus on those business sectors most likely to be affected by the Review outcomes because of their high concentration of modern award-reliant employees (s 134(1)(f)).

²⁶ See [2025] FWCFB 3500, 341 IR 1 [24].

The performance and competitiveness of the national economy

[35] The latest available data concerning key indicators of national economic performance is set out in the following table.

Table 10: Key indicators of national economic performance

Indicator	Measure	Latest	Previous year	5-year average
		December quarter 2025	December quarter 2024	December quarter 2025
Gross domestic product (GDP)	Annual % change	2.6	1.2	2.6
GDP per capita	Annual % change	0.9	-0.4	1.0
Real net national disposable income (RNNDI)	Annual % change	2.5	-0.6	2.3
RNNDI per capita	Annual % change	0.9	-2.1	0.7
Hours worked (Labour Account)	Annual % change	1.5	2.3	3.0
Real unit labour costs	Annual % change	-0.1	2.4	0.9
Household consumption	Annual % change	2.4	1.0	3.0
Labour productivity	Annual % change	1.0	-1.0	-0.4
Labour productivity – market sector	Annual % change	1.5	-0.5	0.1
Labour productivity – non-mining market sector*	Annual % change	1.4	0.1	0.7
Non-mining business investment [#]	Annual % change	4.7	-1.0	5.4
Profits	Annual % change	3.8	-6.5	3.6
Non-mining profits	Annual % change	3.3	3.2	2.6
Average weekly ordinary-time earnings (AWOTE) [^]	Annual % change	3.8	4.6	3.7
Real household disposable income	Annual % change	3.6	3.1	1.6
		March quarter 2026	March quarter 2025	March quarter 2026
Employee Living Cost Index (LCI)**	Annual % change	2.6	3.4	5.2
WPI	Annual % change	3.3	3.4	3.3
		April 2026	April 2025	April 2026
Employment	Annual % change	0.9	2.4	2.6
Unemployment	%	4.5	4.1	4.0
Underemployment	%	5.8	6.0	6.4
Hours worked (Labour Force)	Annual % change	3.5	1.2	2.9
CPI	Annual % change	4.2	2.4	n/a
Trimmed mean	Annual % change	3.4	3.2	n/a

Note: 5-year averages for percentage changes are annualised growth rates. *The market sector excludes the non-market sector industries (Public administration and safety, Education and training, Health care and social assistance). Ownership of dwellings are not included in the market or non-market sector. [#]Calculated as percentage change in non-mining private gross fixed capital formation. [^]November 2025.

**Original data. n/a = not available.

Source: ABS, *Australian National Accounts: National Income, Expenditure and Product*, December 2025; ABS, *Average Weekly Earnings, Australia*, November 2025; ABS, *Business Indicators, Australia*, December 2025; ABS, *Consumer Price Index, Australia*, April 2026; ABS, *Labour Force, Australia*, April 2026; ABS, *Selected Living Cost Indexes, Australia*, March 2026; ABS, *Wage Price Index, Australia*, March 2026.

[36] The latest economic forecasts in the RBA’s May 2026 Statement on Monetary Policy²⁷ (**RBA May Statement**) and the Australian Government Budget 2026–27 for economic growth, inflation, employment, productivity, wages and investment are set out in the following table.

Table 11: RBA and Budget forecasts, growth rates (%)

Indicator		June 2026	Dec 2026	June 2027	Dec 2027	Jun 2028
GDP	RBA	1.9	1.3	1.3	1.4	1.4
	Budget	2¼		1¾		2¼
Household consumption	RBA	1.9	1.9	1.7	1.7	1.6
	Budget	2¼		1¾		2½
Business investment	RBA	3.9	0.8	2.2	1.8	1.3
	Budget	4		2½		2
CPI	RBA	4.8	4.0	2.4	2.4	2.5
	Budget*	5		2½		2½
Trimmed mean	RBA	3.8	3.5	3.1	2.6	2.5
Employment growth	RBA	1.3	1.4	1.0	1.0	0.9
	Budget	1½		1½		1¾
Unemployment	RBA	4.2	4.3	4.4	4.6	4.7
	Budget [#]	4¼		4½		4½
WPI	RBA	3.2	3.2	3.2	3.2	3.0
	Budget [^]	3¼		3½		3½
Labour productivity	RBA	0.0	0.2	0.6	0.7	0.7
Real household disposable income	RBA	1.8	1.1	1.8	1.4	1.2

Source: RBA May Statement; Australian Government, *Budget 2026–27: Budget Strategy and Outlook* (Budget Paper No 1, 12 May 2026).

[37] Calendar year 2025 saw a recovery from the subdued economic conditions of the previous year, with higher than projected economic growth, a return to reasonable productivity growth and solid growth in business investment. The labour market remained relatively strong, with the level of unemployment continuing to be well below pre-COVID-19 pandemic levels, but wages growth remained at moderate levels and growth in real unit labour costs decreased markedly during 2025, falling just below zero. The positive picture was reflected at the household level, with significant increases in household consumption and real household disposable income.

[38] However, contrary to official forecasts made at this time last year, inflation accelerated in the second half of 2025 and moved back above the RBA’s inflation target band of 2–3 per cent. The RBA’s overall assessment in its February 2026 Statement on Monetary Policy was that strong demand had outstripped the supply capacity of the economy, with the pick-up in underlying inflation being ‘observed across a broad range of categories, including for services, retail goods and the cost of building new homes’. The RBA said:

Overall, capacity pressures in the Australian economy are judged to be greater than previously anticipated. This judgement reflects the strength and breadth of the recent increase in inflation,

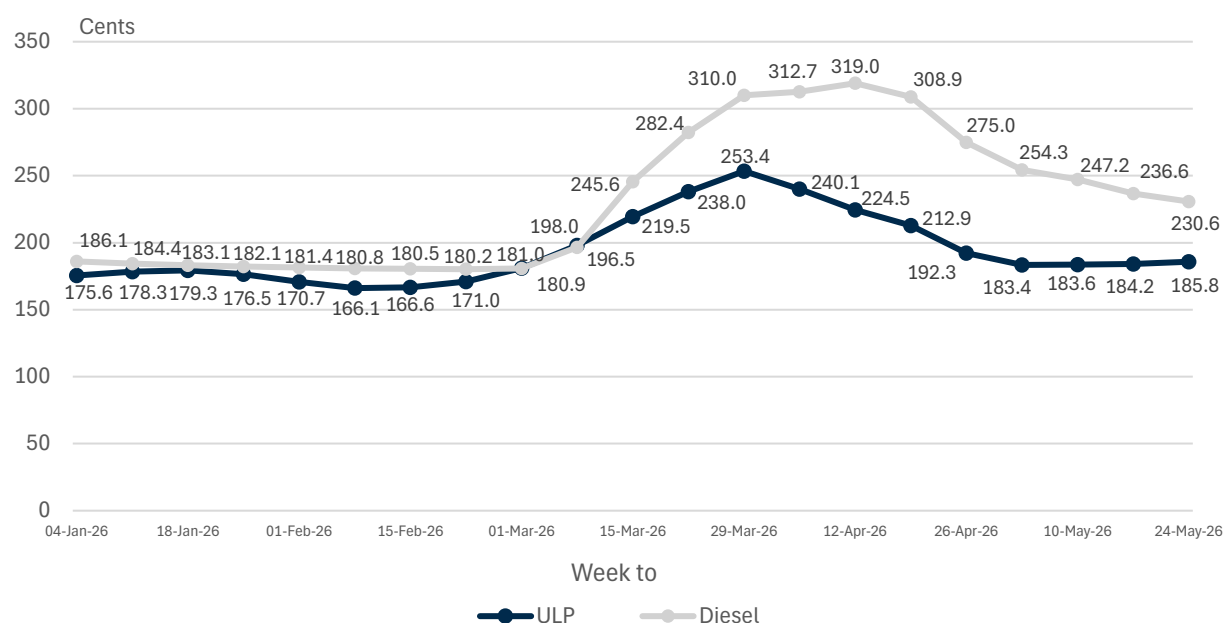
²⁷ Reserve Bank of Australia (RBA), *Statement on Monetary Policy* (May 2026) (**‘RBA May Statement’**).

together with evidence from other indicators, including unit labour cost growth, survey measures of capacity utilisation and a range of other labour market indicators. Recent strength in consumption and investment growth has likely intensified capacity pressures and could continue to do so, to the extent it persists. Taken together, forward-looking indicators of the labour market, along with the recent strength in domestic economic activity, point to labour market conditions remaining a little tight in the near term.

[39] The resurgence of inflation above the target band caused the RBA to announce an increase in the cash rate target by 0.25 of a percentage point on 3 February 2026, and by a further 0.25 of a percentage point on 17 March 2026.

[40] The conflict in the Middle East which commenced on 28 February 2026 and has disrupted fuel supply chains has exacerbated the pre-existing inflationary pressures. Retail petrol prices began increasing significantly in early March 2026 and peaked at the end of the month, with diesel prices peaking somewhat later from mid-April 2026. The measures implemented by the Australian Government to reduce the fuel excise from 52.6 cents to 20.6 cents per litre, and to suspend the heavy vehicle road user charge of 32.4 cents per litre, took effect from 1 April 2026 and have, together with other measures to secure fuel supplies, operated to moderate fuel prices since that time. However, they remain at elevated levels — especially diesel. The fuel taxation concessions are, unless extended further, due to end on 30 June 2026.

Chart 2: Average weekly retail petrol and diesel prices to 17 May 2026, national average



Source: Australian Institute of Petroleum, [Pump Prices](#), accessed 26 May 2026.

[41] The increase in fuel prices was first reflected in the monthly CPI for March, which rose 1.1 per cent from the previous month and increased the annual headline rate from 3.7 per cent for the year to February 2026 to 4.6 per cent for the year to March 2026. Automotive fuel, which has a weighting of 3.5 per cent of the CPI basket, increased 32.8 per cent from February to March 2026, making it the main contributor to the CPI increase. The annual trimmed mean rate remained unchanged from the previous month at 3.3 per cent. However, the moderation in fuel prices which occurred during April 2026 resulted in a lower annual headline rate of 4.2 per

cent for the year to April 2026. The trimmed mean rose to 3.4 per cent, indicating the underlying inflationary pressures in the economy. Because of the one-off factors involved in the April CPI result, there is no present reason to think that the RBA's forecast of 4.8 per cent for the year to June 2026 will be undershot.

[42] The RBA further tightened monetary policy in response to the increasing rate of inflation by announcing an increase to the cash rate by 0.25 of a percentage point on 5 May 2026. In the RBA May Statement, the RBA repeated its February assessment that the economy had been the subject of capacity pressures in the December quarter 2025 and, in respect of the effects of the Middle East conflict, the RBA said:

The effects of the conflict on global and domestic inflation are already evident, with data for March showing a sharp increase in headline inflation in most economies, including Australia.

In Australia, headline inflation increased to 4.6 per cent in March, with the higher fuel prices contributing 0.8 percentage points. The outcome also reflected the expiry of electricity rebates and strength in underlying inflation. The full effects of higher fuel costs on underlying inflation will take time to materialise as they typically pass through to other goods and services prices gradually.

Financial market measures of long-term inflation expectations remain anchored around the midpoint of the inflation target, while short-term inflation expectations have risen. Short-term inflation expectations have risen this year, particularly since the conflict in the Middle East. If the increase in inflation expectations persists, this could feed into actual price- and wage-setting behaviour and pose the risk of inflation being above target for even longer.

The conflict has also led to a sharp drop in consumer sentiment and business confidence, though timely consumer spending data do not suggest a material slowing in household consumption over the same period.

[43] The economic forecasts in the RBA May Statement and those in the Australian Government's 2026–27 Budget published on 12 May 2026 are the first since the commencement of the Middle East conflict on 28 February 2026. The effect of the conflict upon the forecasts may be seen by comparing these latest forecasts on key indicators to those published before the conflict began.

Table 12: RBA and Government forecasts before and after Middle East conflict

	Forecast	RBA			Australian Government		
		Feb 2026	May 2026	Change	MYEFO 2025–26	Budget	Change
GDP	June 2026	2.1	1.9	-0.2	2¼	2¼	0
	June 2027	1.6	1.3	-0.3	2¼	1¾	-½
CPI	June 2026	4.2	4.8	+0.6	3¾	5.0	+1¼
	June 2027	2.9	2.4	-0.5	2¾	2½	-¼
Unemployment	June 2026	4.3	4.2	-0.1	4½	4¼	-¼
	June 2027	4.4	4.4	0.0	4½	4½	0
WPI	June 2026	3.1	3.2	+0.1	3¼	3¼	0
	June 2027	3.1	3.2	+0.1	3¼	3½	+¼

Source: RBA May Statement; Australian Government, *Budget 2026–27: Budget Strategy and Outlook* (Budget Paper No 1, 12 May 2026).

[44] The change in the forecasts show that the Middle East conflict is expected to have only a modest impact on the Australian economy during 2026–27. There is a downward revision to economic growth (which is forecast to slow in any event as a result of the RBA's tightening of

monetary policy) but next to no effect on wages growth or unemployment. Headline inflation is expected to fall rapidly because of the unwinding of fuel price increases (although the RBA expects underlying inflation to remain above its target band until the second half of 2027).

[45] However, the forecasts are predicated on the assumption that the price of fuel returns relatively quickly to its pre-conflict level. The RBA May Statement expressly states that its forecast for energy prices is ‘consistent with a relatively prompt resolution to the conflict and limited additional damage to oil and LNG infrastructure over and above that already incurred’.²⁸ Should that assumption not hold such that fuel prices remain elevated for longer, the forecasts are that economic growth will be lower and inflation and unemployment will be higher. Further, while the conflict remains unresolved, there is a risk that the continued disruption to fuel supplies manifests in an actual shortage of fuel in Australia at some time in the future. The economic consequences of this have not been modelled by the RBA or the Australian Government.

[46] What is clear is that, under the forecast for the year to June 2026, employed workers will bear a substantial real wage reduction over 2025–26: an estimated shortfall of 1.6 percentage points according to the RBA forecasts and 1.75 percentage points according to the Australian Government’s forecasts. The primary cause of this has been the surge in inflation resulting from the Middle East conflict, since the WPI had largely kept pace with the headline CPI until the commencement of that conflict. For 2026–27, the RBA and the Australian Government both forecast real wages growth, but this is highly dependent on the assumption of falling fuel prices.

[47] The April Labour Force data released by the ABS on 21 May 2026 shows a weaker than expected labour market: unemployment increased from 4.3 per cent in March 2026 to 4.5 per cent and employment (seasonally adjusted) fell. Paradoxically, however, the number of hours worked increased slightly and there was a fall in the underemployment rate. There may have been some anomalous factors affecting the increase in unemployment²⁹ but, nonetheless, it appears from this data that the labour market is undergoing some weakening in the face of the combined effects of the increases in interest rates in February and March and the cost pressures caused by the Middle East conflict.

Likely impact of the exercise of modern award powers on the national economy

[48] We have earlier estimated that each percentage point increase in modern award wages arising from the Review directly contributes about 0.1 of a percentage point to WPI growth. In circumstances where external factors are currently the prime determinant of the headline CPI, this direct effect on the WPI is unlikely to be sufficient to affect the rate of inflation in an appreciable way. The Australian Government has proposed that the Review should result in a ‘sustainable’ real increase in modern award wages, while projecting that headline CPI will return to within the RBA’s target band by the end of 2026–27. However, the Australian Government has not identified which measure of inflation should be used to quantify what would constitute a real increase in modern award wages as it proposed and was agnostic as to whether inflation should be assessed looking backwards (for 2025–26) or forwards (for 2026–

²⁸ Ibid 49.

²⁹ Westpac IQ, *April Labour Force: Easter accentuates genuine weakening*, 21 May 2026.

27).³⁰ The Australian Government’s technical assumption for its forecast of WPI growth of 3½ per cent in 2026–27 in the Budget was for a Review outcome of the same percentage amount, implying that any Review outcome above this amount may result in a slightly higher WPI increase than forecast. It is not known what assumption the RBA has made about the outcome of this Review but its forecasts for inflation and wages growth are broadly consistent with those of the Australian Government.

[49] The industry sectors in which modern award-reliant employees are concentrated are not, for the most part, trade-exposed, so it is unlikely that any reasonable outcome of this Review will affect the international competitiveness of the national economy or of business generally. As to the impact of Review outcomes on employment, the most authoritative study of the effect of award increases on hours worked and job losses in the Australian economy has shown that modest, incremental and predictable award wage increases do not have adverse effects on hours worked or job loss.³¹ While there would undoubtedly be debate as to what constitutes a ‘modest’ Review wages outcome, the experience of Reviews since 2022 in which relatively higher nominal wage increases have been awarded because of the rate of inflation does not indicate any discernible adverse consequence for employment growth or the rate of unemployment.

[50] Finally, we note (as in the *AWR 2025 decision*³²) that there is no evidence of a causal relationship between Review outcomes and the productivity performance of the Australian economy.

Likely impact of the exercise of modern award powers on business

[51] Business conditions in 2025 improved compared to 2024, consistent with the broader recovery in the economy. Business profits increased by 3.8 per cent, compared to the reduction of 6.5 per cent which occurred in 2024. This improvement primarily occurred in the mining sector, since non-mining business profit growth increased only slightly from 3.2 to 3.3 per cent. Business investment also recovered, with a 4.7 per cent increase in non-mining private investment compared to a 1.0 per cent reduction in 2024. Business insolvencies are likely to be slightly lower in 2025–26 compared to 2024–25,³³ with the RBA’s March 2026 Financial Stability review assessing that:³⁴

Total company insolvencies as a share of operating companies have stabilised over the past year, at around the longer run average... Company viability has been supported by easing cash flow pressures for some companies and recovering domestic demand. The increase in total insolvencies over recent years from exceptional lows during the pandemic has reflected a catch-up effect following the removal of temporary support measures and challenging trading conditions.

[52] Surveys of business for the first quarter of 2026 show reasonably positive conditions but have yet to fully capture the impact of the Middle East conflict. The National Australia

³⁰ [Transcript](#), 20 May 2026 PNs 229, 253–255. Budget Paper No 1 measures changes in real wages looking backwards: ‘...the recent increase in inflation is expected to result in a decline in real wages in 2025–26’: Australian Government, [Budget 2026–27: Budget Strategy and Outlook](#) (Budget Paper No 1, 12 May 2026) 74.

³¹ James Bishop, [The Effect of Minimum Wage Increases on Wages, Hours Worked and Job Loss](#) (RBA Bulletin, September 2018).

³² [2025] FWCFB 3500, 341 IR 1 [42].

³³ [Statistical Report—Annual Wage Review 2026](#) (Fair Work Commission, 14 May 2026) Chart 3.3.

³⁴ RBA, [Financial Stability Review](#), March 2026 28.

Bank (NAB) Quarterly Business Survey for the first quarter of 2026 shows that business confidence declined by 4 points from the previous quarter to enter negative territory, its lowest level since December 2024.³⁵ However, the assessment of business conditions declined by a much smaller amount (1 point) and remains in positive territory, and expectations of business conditions in the next three months and 12 months remain positive. Increases in labour and purchase costs were reported as broadly stable. However, the survey showed that the share of businesses reporting significant constraints on output from both labour and premises/plant rose for the third consecutive quarter, and wage costs remained the top issue affecting confidence (although this has been the case for a number of years).

[53] The impact of the Middle East conflict on business confidence is better captured by the NAB's Monthly Business Survey for April 2026.³⁶ This showed that business confidence fell sharply from -2 index points in February 2026 to -29 in March 2026 before stabilising somewhat at -24 in April 2026. This was accompanied by a decline in business conditions of 3 index points in April 2026, although this remained in positive territory. Increases were reported in labour costs, purchase costs, final product prices and retail prices in the April 2026 survey.

[54] Like the NAB Quarterly Business Survey, the Australian Chamber of Commerce and Industry (ACCI)–Westpac Survey of Industrial Trends conducted from 27 January to 4 March 2026 largely missed the impact of the Middle East conflict and reports positive conditions in Australian manufacturing.³⁷ Its results identify a surge in output growth, a solid lift in new orders, and renewed expansion in employment together with an increased use of overtime. It also reports, consistent with the RBA's assessment of the economy prior to the Middle East conflict, that a greater proportion of manufacturing businesses are operating at above-average levels of capacity and that constraints in the supply of labour and materials may tighten capacity and hamper the ability of some businesses to meet increases in demand. On the risk side, the survey points to a shift in the outlook for interest rates and, in relation to the Middle East conflict, states:

As mentioned, this survey was largely in the field prior to the recent developments in the Middle East. While Westpac's analysis suggests a 'base case' scenario of a short-lived disruption will lead to a sharp but temporary lift in headline inflation, price pressures will be varied. Australian manufacturing, particularly refining and metal processing sectors, is exposed to upside risks around energy costs given its high energy intensity at around 88¢ spent on energy per dollar of gross value added. This is important given the starting point is already elevated for unit cost pressures.

[55] The ACCI undertook a survey on the impact on businesses of the disruption to fuel supplies in the period 24 March to 2 April 2026. Approximately 2,300 businesses responded to the survey. Although it appears that the survey was conducted on an opt-in basis amongst members of the ACCI and its State affiliates and therefore cannot be regarded as based on a statistically-representative sample, it at least gives an impressionistic overview of how business owners are feeling the effects of higher fuel prices. The survey outcomes include the following:

³⁵ National Australia Bank (NAB), [Quarterly Business Survey Q1 2026](#) (March 2026).

³⁶ NAB, [Monthly Business Survey Apr-26](#) (May 2026).

³⁷ ACCI-Westpac, [Survey of Industry Trends](#) (March 2026).

- 17 per cent of respondents reported experiencing higher energy prices, 81 per cent reported higher operating/input costs, and 43 per cent reported reduced customer spending.
- In response to higher fuel, freight and input costs, 61 per cent of respondents were absorbing the higher costs with 37 per cent passing them on to customers, and 8 per cent were reducing operating hours, 15 per cent were deferring or cancelling jobs or contracts and 31 per cent were delaying investment or expansion plans.
- 30 per cent were ‘reviewing’ staffing levels, with 15 per cent reducing hours and 4 per cent standing down or laying off staff.

[56] More recently, on 26 May 2026 the ABS released a Business Conditions and Sentiments Survey, the first since June 2022, to ‘provide insights on changing business behaviour and sentiments in response to fuel prices or availability impacted by the closing of the Strait of Hormuz’. The key findings were that 16 per cent of surveyed businesses were experiencing supply chain disruptions (that is, difficulty in getting the material needed to sell goods and services), 72 per cent of businesses reported that fuel prices were having a negative impact on the business in May 2026, and 60 per cent of businesses said they had made changes to business operations due to fuel prices or availability. The changes made to operations included absorption of cost increases (48 per cent), increase in prices (11 per cent), changes or delays to production targets, schedule or volume (6 per cent) and the introduction of a fuel surcharge or levy (6 per cent). Most businesses (68 per cent) had made no changes to their workforce in response to current fuel prices and availability, but 9 per cent had reduced the size of their current workforce.

[57] An assessment of the likely effect of the outcome of this Review on business must necessarily focus on those industry divisions in the market sector in which modern award-reliant employees are concentrated — namely Retail trade, Accommodation and food services and Administrative and support services, which contain about 64 per cent of modern award-reliant employees located in the market sector. The key indicators for these industry divisions are set out in the following table:

Table 13: Key indicators of business conditions in the most modern award-reliant market sector industry divisions

	December quarter 2025 (%)	December quarter 2024 (%)	5-year average to December quarter 2025 (%)
Retail trade			
Output growth	1.4	0.5	1.2
Business profit growth ^{#*}	3.4	-8.2	-0.7
Business profit margins ^{#^}	7.0	7.0	5.9
Wages to sales ratio [#]	10.0	10.0	10.1
Filled jobs	-0.7	2.6	1.9
Hours worked	0.9	2.6	2.5
Labour productivity	0.5	-2.1	-1.3
Total labour costs	5.0	3.8	7.8
Accommodation and food services			
Output growth	4.2	-1.6	3.7
Business profit growth ^{#*}	3.2	2.3	-4.0
Business profit margins ^{#^}	10.0	10.0	9.0
Wages to sales ratio [#]	23.3	23.2	23.0

	December quarter 2025 (%)	December quarter 2024 (%)	5-year average to December quarter 2025 (%)
Filled jobs	3.5	4.2	4.8
Hours worked	5.8	5.7	5.5
Labour productivity	-1.5	-6.9	-1.7
Total labour costs	8.3	5.4	11.1
Administrative and support services			
Output growth	3.4	0.6	4.9
Business profit growth ^{#*}	-9.4	7.1	-4.1
Business profit margins ^{#^}	7.0	8.0	8.0
Wages to sales ratio [#]	49.8	50.3	50.4
Filled jobs	1.4	-3.4	0.8
Hours worked	0.7	-5.0	1.6
Labour productivity	2.7	5.8	3.2
Total labour costs	6.2	3.9	8.8

Note: # Data are in original terms. * Business profits (unincorporated gross operating profit and company gross operating profit) are calculated based on the sum of profits in each of the last four quarters. ^ Profit margins are calculated as business gross operating profits to sales ratio.

Source: ABS, *Australian National Accounts: National Income, Expenditure and Product*, December 2025; ABS, *Labour Account, Australia*, December 2025; ABS, *Business Indicators, Australia*, December 2025.

[58] It should be noted that the historic data for filled jobs and hours worked in the above industry divisions, and consequently the calculation of historic labour productivity and total labour costs in each of these sectors, has been affected by substantial revisions in ABS Labour Account releases since the *AWR 2025 decision*. These revisions most significantly affected the data for Accommodation and food services and Administrative and support services. This means that the December 2024 data in the above table for this sector does not correspond to that contained in Table 8 of the *AWR 2025 decision* (with consequential effects on the calculation of five-year averages). Thus, there needs to be some caution in the use of this data since there may be future revisions to the December 2025 data.

[59] With this qualification, we observe that Retail trade, Accommodation and food services and Administrative and support services all enjoyed generally improved and healthy conditions in 2025. Output growth has increased in all three sectors and in two of them exceeds the five-year average. This likely reflects improved demand for services as a consequence of stronger economic growth, the easing in monetary policy which occurred in 2025 and increasing real household disposable income. Hours worked increased in all three sectors, with Accommodation and food services showing hours worked increasing faster than output, resulting in a reduction in productivity. Business profit margins remain consistent with the five-year average.

[60] The November 2025 IBISWorld report concerning the restaurants sector gives some important insights into an important part of the Accommodation and food services industry division.³⁸ In summary, it identifies that the sector has, over the last five years, enjoyed increases to revenue, employees and the number of businesses, while wages growth has been moderate at 3.3 per cent per year. However, the report (in contrast to the ABS data above concerning profit margins in Accommodation and food services as a whole) shows tight and declining profit margins of only 2.8 per cent. The outlook for the sector is assessed as positive,

³⁸ Disha Kartik Jeswanth, *Restaurants in Australia* (IBISWorld Report, November 2025). Refers to the ANZSIC industry class Cafés and Restaurants (4511).

with demand for restaurant services increasing notwithstanding cost-of-living pressures amongst consumers. However, the report does point to the challenges facing the sector as including elevated operational expenses for inputs, rent and energy, labour shortages and retention gaps, and intense competitive pressures.

[61] IBISWorld reports concerning Cafes and Coffee Shops (October 2025) and Catering (April 2025) likewise show low profit margins over the last five years (2.6 and 2.3 per cent respectively) amid intense competition and higher input costs. By contrast, IBISWorld reports into other sectors of Accommodation and food services show higher profit margins: 6.3 per cent for Fast Food and Takeaway Food Services (May 2026), 6.6 per cent for Pubs, Bars and Nightclubs (June 2025) and 13.8 per cent for Hotels and Resorts (October 2025).

[62] This generally positive perspective of the most modern award-reliant market sectors is of course a backwards-looking one, and the three sectors will undoubtedly be affected by the mixed and unpredictable economic circumstances prevailing in 2026. In particular, it may be expected that the RBA's tightening in monetary policy and, if they persist, elevated fuel prices will negatively affect discretionary spending and the demand for the services of these sectors, particularly in Retail trade and Accommodation and food services. In this respect, we note the submission made by the Australian Hotels Association (AHA) dated 27 March 2026 that its members have reported that 'just in the last 2–3 weeks, patron attendance and business turnover has slowed down',³⁹ presumably because of interest rate increases and the effect of the Middle East conflict on fuel prices and supplies. However, the current uncertainty as to external events makes it impossible to assess whether this will be a short-term phenomenon or continue throughout 2026–27.

[63] In relation to small business, the Xero Small Business Insights Australia Update for January–March 2026,⁴⁰ published on 30 April 2026 (**XSBI Report**), gives a generally positive picture of the position both before and after the commencement of the Middle East conflict. The XSBI Report discloses that sales in small business grew by 7.2 per cent year-on-year in the March quarter 2026, made up of a 4.6 per cent increase for January, 6.0 per cent for February and 10.9 per cent for March. In this respect of this sales growth, the XSBI Report observes:

... The outcomes for the latter two months are particularly positive given the Reserve Bank of Australia increased the cash rate in both these months, which could have negatively impacted sales.

The monthly March data is an early insight into how small businesses are being impacted by the fuel price spike caused by the conflict in the Middle East. XSBI sales are measured in nominal terms, which includes changes in both sales volumes and prices. CPI data helps to understand how much of the March sales rise is due to prices and how much is due to higher volumes. Is the CPI showing broad based price increases or isolated to spikes in fuel prices? At the time of finalising this report, the CPI data for March had not yet been released by the ABS. Nevertheless, the March CPI reports from other countries, such as the US, UK and Canada, have all shown that price increases to date are largely in fuel only and not broad based. This suggests the latest month of XSBI sales growth is most likely reflecting a genuine improvement in activity rather than being due to higher prices.

[64] The XSBI Report identifies that sectors which were more interest rate-sensitive had slightly lower sales growth compared to the national figure, with hospitality sales growing

³⁹ [Australian Hotels Association initial submission](#), 27 March 2026.

⁴⁰ Xero, [Xero Small Business Insights Australia Update, January–March 2026](#) (30 April 2026).

5.1 per cent in the March quarter. Jobs growth (3.4 per cent) has also increased amongst small businesses in the March quarter, but was softer in hospitality (0.7 per cent) and administrative services (1.3 per cent). Wages growth was 2.7 per cent for the March quarter year-on-year, which we observe is significantly lower than for all measures of wages growth for the economy generally. Closer to the general position, wages growth in hospitality was 3.5 per cent but, the XSBI Report disclosed, ‘this had little impact attracting new workers to the sector’.

[65] The XSBI Report concludes that small businesses ‘had a solid start to 2026 despite two interest rate hikes during this period’ but gives the following assessment as to the outlook going forward:

Looking ahead, the impact of higher fuel prices is the main risk to the outlook, coupled with mounting concerns about fuel availability. This external shock has come at a frustrating time for small businesses, just as sales growth was returning to historical averages. This sudden price spike hurts small businesses both directly, through rising costs of fuel (and eventually many other inputs), and indirectly, as customers are left with less to spend on non-fuel goods and services. Importantly, it is still early days in this crisis and the fuel price impacts have not yet worked through the economy. To date much of the price impacts are only in heavily fuel-exposed industries, such as transport and logistics. However, business profit margins can't absorb these dramatically higher fuel prices indefinitely. These rising transport costs are likely to increasingly flow through to the price of goods and services across many industries in the coming months, spreading the economic damage and further squeezing household budgets.

Fuel prices are unlikely to come down meaningfully any time soon, given it will take many months for the world oil market to return to 'normal', even after the Strait of Hormuz is reopened. In addition, the longer fuel prices remain high the greater the risk that the Reserve Bank of Australia will respond with more increases in the cash rate to combat the widening inflation shock.

[66] Our overall assessment is that business, including businesses in the most modern award-reliant sectors and small businesses, was in a generally sound position immediately prior to the commencement of the Middle East conflict, with growing output, profits and employment. It is unclear to date whether the three interest rate increases this year have significantly affected demand for goods and services produced by business, although this clearly represents a future risk to business and it can reasonably be expected that tighter monetary policy will depress demand for discretionary goods and services. The Middle East conflict is obviously the primary risk to business, but its potential effect has not yet, on the data available, fully manifested itself. The April Labour Force data may however be an early indicator of pressure on business costs and demand caused by the conflict.

[67] Section 134(1)(f) requires us, in considering the likely effect of modern award powers on business, to take into account any effects on productivity, employment costs and the regulatory burden. We do not consider that the outcome of this Review will have detrimental effects on productivity or the regulatory burden. Any modern award wage increase awarded in this Review will obviously affect employment costs for business, and the extent to which this occurs in individual businesses will depend upon the degree of modern award reliance in the business's workforce and the proportion of its operating costs which are taken up by the wages paid to its modern award-reliant employees. This effect would be at its highest for businesses in Accommodation and food services (where almost two-thirds of employers pay award rates of pay to more than half their workforce, and businesses are relatively labour-intensive), and at its lowest for businesses in sectors such as Mining and Information, media and telecommunications, where the level of modern award-reliance is very low.

4. Gender equality

[68] For the reasons stated in the *Annual Wage Review 2022–23* decision (*AWR 2023 decision*),⁴¹ we intend to continue to treat the considerations concerning gender equality in ss 284(1)(aa) and 134(1)(ab), which were added to the FW Act by the *Fair Work Legislation Amendment (Secure Jobs, Better Pay) Act 2022* (Cth) (**SJBP Act**) and are expressed in imperative terms, as central to the Review process. In respect of the means identified in ss 284(1)(aa) and 134(1)(ab) by which the overarching need to achieve gender equality may be met, namely ‘ensuring equal remuneration for work of equal or comparable value’, ‘eliminating gender-based undervaluation of work’ and ‘addressing gender pay gaps’, we adopt the meaning assigned to those terms in the *AWR 2025 decision*.⁴²

[69] By most measures, pay gaps between men and women continue to show incremental reductions in recent years.

Table 14: Estimates of changes in the gender pay gap

Measure	Latest			Previous	
	Male earnings (\$)	Female earnings (\$)	Gender pay gap (%)	Gender pay gap (%)	Gender pay gap (%)
<i>Weekly</i>					
	November 2025			November 2024	November 2022
AWOTE	2147.80	1900.60	11.5	11.9	13.3
	May 2025			May 2023	May 2021
EEH adult ordinary time cash earnings, non-managerial full-time	2065.60	1860.20	9.9	9.7	10.6
<i>Hourly</i>					
EEH adult* ordinary time cash earnings, excluding casual loading	52.85	46.87	11.3	12.1	13.4
EEH adult* ordinary time cash earnings, excluding casual loading, for modern award-reliant employees	32.68	32.87	-0.6	0.7	0.8

Note: AWOTE refer to full-time adult employees. The gender pay gap is calculated as the difference between female and male earnings, expressed as a percentage of male earnings. * Adult refers to employees paid an adult rate.

Source: ABS, *Average Weekly Earnings, Australia*, various; ABS, *Employee Earnings and Hours, Australia*, various; ABS, *Microdata: Employee Earnings and Hours, Australia* [DataLab], various.

[70] Viewed from a longer-term perspective, the significance of the progress that has been made becomes more apparent, with the pay gap in AWOTE having reduced from 18.7 per cent in November 2014 to the current historic low of 11.5 per cent in November 2025. It is also an important development that the gender pay gap in hourly ordinary-time rates of pay amongst modern award-reliant employees has been entirely eliminated.

⁴¹ [2023] FWCFB 3500, 323 IR 332 [27], [40], [120].

⁴² [2025] FWCFB 3500, 341 IR 1 [56]. The reference in s 134(1)(ab) to ‘providing conditions that facilitate women’s full economic participation’, is concerned with terms of employment other than rates of pay and is thus not relevant to the Review: *ibid* [55].

[71] Because modern award minimum wage rates apply to only about 21.1 per cent of the workforce and wages paid to modern award-reliant employees constitute about 11.2 per cent of the national ‘wage bill’, the gender pay gap for the workforce as a whole cannot be eliminated by adjustments to modern award wage rates alone. That there is now no gender pay gap amongst modern award-reliant employees, but there remains a significant (albeit diminishing) gender pay gap across the workforce illustrates this proposition. It is nonetheless the case that the modern award system may contribute to reducing the overall gender pay gap and thereby achieving gender equality. This may occur in two ways. The first is that Review increases to modern award minimum wage rates which are above the rate of wages growth in the labour market generally will, because of the higher proportion of women who are modern award-reliant, operate to narrow the aggregate gender pay gap to some degree. As earlier stated, modern award minimum wage rates have grown faster than the WPI over recent years, and this has likely made some contribution to the narrowing of the gender pay gap. A continuation of this approach in this Review will therefore ‘address’ gender pay gaps, albeit in a limited way.

[72] The second way is by reviewing specific modern awards which apply to female-dominated industry or occupational workforces to assess whether, separate from Review outcomes, any adjustment to minimum wage rates is required to eliminate gender-based undervaluation and ensure equal remuneration for work of equal or comparable value. A process for reviewing key modern awards was initiated by the *AWR 2023 decision*, and a summary of the progress in that project was set out in the *AWR 2025 decision*.⁴³ The current position is that the Gender-based undervaluation – priority awards review commenced pursuant to the *AWR 2024 decision*⁴⁴ (**Priority Awards Review**) has now, apart from some limited implementation issues, been completed. The key outcomes in terms of adjustments to minimum award wage rates determined in the Review as necessary to rectify gender-based undervaluation, which will all apply in addition to the outcome of this and future Reviews, are in summary as follows:

- (1) Pharmacists covered by the *Pharmacy Industry Award 2020* (**Pharmacy Award**): 14.1 per cent increase, to be implemented in three phases commencing on 30 June 2025 and completing on 30 June 2027.
- (2) Childhood education and care employees covered by the *CS Award*: an increase of 23.0 per cent for the key classification of Level 3.1, with increases in the range of 9.4 to 27.8 per cent for other classifications depending upon the applicable translation arrangements, to be implemented in phases commencing on 1 March 2026 and completing on 30 June 2029.
- (3) Dental assistants and oral health therapists covered by the *Aboriginal and Torres Strait Islander Health Workers and Practitioners and Aboriginal Community Controlled Health Services Award 2020* (**ATSIHW Award**): increases in the range of approximately 10.7 to 35.2 per cent, dependent on classification and translation, commencing on 1 January 2026 and completing on 1 January 2028.

⁴³ [2025] FWCFB 3500, 341 IR 1 [62]–[71].

⁴⁴ [2024] FWCFB 3500, 331 IR 248 [111]–[123] (matters AM2024/19, AM2024/20, AM2024/21, AM2024/22 and AM2024/23).

- (4) Dental assistants covered by the *Health Professionals and Support Services Award 2020 (HPSS Award)*: increases in the range of 7.2 to 9.0 per cent, implemented in two phases on 1 April 2026 and 1 January 2027.
- (5) Pathology collectors covered by the *HPSS Award*: increases in the range of 1.8 to 10.9 per cent, implemented in two phases on 1 April 2026 and 1 January 2027.
- (6) Health professionals covered by the *HPSS Award*: increase in the benchmark rate for an AQF Level 7 professional of 29.9 per cent, with different increases applying to other classifications and AQF level qualifications, to be implemented in phases commencing on 1 October 2026 and completing on 30 June 2030.
- (7) Disability home care workers covered by the *SCHADS Award*: an increase in the minimum award rate for the benchmark classification of a Certificate III-qualified worker of 23 per cent, with various increases for other classifications as part of the transition to a new integrated classification structure to be implemented by 1 October 2027.

[73] The implementation of the above outcomes of the Priority Awards Review will, we anticipate, contribute to the further narrowing of the gender pay gap in coming years.

[74] There remain three major proceedings on foot seeking to address gender-based undervaluation in a number of occupations:

- (1) An application by the Australian Nursing and Midwifery Federation to vary the wage rates for nurses other than aged care nurses in the *Nurses Award 2020*⁴⁵ on work value and gender-based undervaluation grounds (matter AM2024/11) is listed for hearing before an Expert Panel of the Commission on 10–12 and 15–16 June 2026. A substantial number of major issues in this matter are not in contest, including that the minimum rate of pay for a degree-qualified Registered Nurse after the first year of employment should be aligned to the C1(a) benchmark rate (as has already occurred for nurses in aged care as a result of the *Stage 3 Aged Care decision*⁴⁶).
- (2) Applications by the Flight Attendants' Association of Australia and the Transport Workers' Union of Australia for adjustments to the minimum wage rates and other conditions for flight attendants under the *Aircraft Cabin Crew Award 2020*⁴⁷ on work value and gender-based undervaluation grounds (matters AM2025/8 and AM2026/3) are listed for hearing before an Expert Panel in February and March 2027. These applications followed the publication by the Commission of a research report, *Gender pay equity research: Aircraft Cabin*

⁴⁵ MA000034.

⁴⁶ *Aged Care Award 2010; Nurses Award 2020; Social, Community, Home Care and Disability Services Industry Award 2010* [2024] FWCFB 150, 331 IR 137 ('*Stage 3 Aged Care decision*').

⁴⁷ MA000047.

*Crew Award 2020*⁴⁸ on 28 February 2025, which set out in detail the history of the award and its antecedent history.

- (3) The Review of degree-qualified professional classifications (matter AM2025/19), which the *AWR 2025 decision* determined should be undertaken,⁴⁹ was formally initiated on 25 July 2025, and submissions have been received from a range of parties concerning the scope of the proceedings. The matter is next listed on 19 June 2026 and it is anticipated that it will be completed prior to the 2027 Review.

[75] In its submissions, the Australian Council of Trade Unions (ACTU) continues to identify a number of further priority areas in which gender-based undervaluation is required to be addressed, including education aides and early childhood educators covered by the *Educational Services (Schools) General Staff Award 2020*⁵⁰, classifications in the Support Services stream in the *HPSS Award*, classifications in the Health Workers stream in the *ATSIHW Award* and various classifications in the *Animal Care and Veterinary Services Award 2020 (Veterinary Award)*. However, the ACTU accepts that the Priority Awards Review and other major cases currently before the Commission are keeping it ‘sufficiently occupied at present’ and that any forward programming of gender-based undervaluation cases should be revisited in the 2027 Review.

[76] A number of other, primarily union, parties made submissions as to asserted priorities in addressing gender-based undervaluation, but we wish to note one submission in particular. The Veterinary Nurses Council of Australia (VNCA) submits that current minimum wage rates for veterinary nurses and technologists covered by the *Veterinary Award* do not adequately reflect the clinical, technical, and patient safety responsibilities of their roles, are inconsistent with the professionalisation and qualification expectations of the workforce, and reflect historical undervaluation of feminised care work. The VNCA proposes that, in this Review, we should award a ‘meaningful increase’ to minimum wage rates in the *Veterinary Award* that addresses real wage erosion since 2021, reflects work value, clinical responsibility and the full scope of practice across veterinary nursing and veterinary technologist roles, recognises advanced qualifications and expanded clinical capability, gives substantive weight to gender pay equity objectives under the FW Act, and supports sustainable career pathways across the veterinary healthcare workforce.

[77] In the *AWR 2025 decision*, the Expert Panel said:⁵¹

While we consider it necessary to establish priorities for future proceedings concerning gender-based undervaluation, this must be done on a realistic and achievable basis having regard to the demands placed on parties, and the Commission, by such proceedings, and the timetable for other major proceedings being conducted in the Commission.

[78] We affirm that observation, with the further caveat that in the case of occupations industrially represented by large and well-resourced unions, it may reasonably be expected that

⁴⁸ Fair Work Commission, [Gender pay equity research: Aircraft Cabin Crew Award 2020](#) (Research Report No 3/2025, 28 February 2025).

⁴⁹ [2025] FWCFB 3500, 341 IR 1 [82]–[84].

⁵⁰ MA000076.

⁵¹ [2025] FWCFB 3500, 341 IR 1 [80].

such unions will be in a position at an appropriate time to make applications to address any identified gender-based undervaluation and other work value issues without the need to wait for the Commission to initiate proceedings. This is the case for most of the remaining priority occupations identified by the ACTU. If any such application is made, reliance may be placed on the principles for identifying and rectifying gender-based undervaluation set out in the *Priority Awards Review April 2025 decision*⁵² and summarised in the *AWR 2025 decision*.⁵³ Where any such application is made, the Commission will endeavour to support the proper disposition of the proceedings by undertaking research (including external research commissioned and funded by the Commission) as to relevant issues. However, as stated in the *AWR 2025 decision*, in contested proceedings such research will generally be confined to the ascertainment of objective background facts or literature reviews, or will otherwise be in accordance with a consensus of the parties, so as to retain the Commission's capacity to act as an independent arbiter and to proceed in a procedurally fair way.⁵⁴

[79] Having regard to these matters, we do not consider that it is practicable for the Commission to initiate any further proceedings to address gender-based undervaluation at this time. We will revisit this issue in the 2027 Review. As to the submission made by the VNCA, we are not in any position in this Review to consider the award of special wage adjustments for veterinary nurses and technologists covered by the *Veterinary Award* given the lack of any evidence concerning the skills, responsibilities, qualifications and working environment of such employees. There has already been considerable research undertaken in relation to these occupations in the Stage 1 Report and Stage 2 Report produced as a result of the Commission's gender equity research project.⁵⁵ This research indicates, among other things, that veterinary nurses in veterinary services are 96.4 per cent female and that they have never been the subject of an independent work value assessment. In these circumstances, we consider it appropriate for veterinary nurses and technologists to be considered as a priority for Commission-initiated gender-based undervaluation proceedings in the 2027 Review.

5. Workforce participation

[80] Sections 284(1)(b) and 134(1)(c) of the FW Act require us to take into account the promotion of 'social inclusion through increased workforce participation' in exercising our minimum wage and modern award functions and powers. Consistent with the *AWR 2025 decision*, we understand 'social inclusion' as meaning all persons having the opportunity and capacity to participate fully in society, regardless of their circumstances.⁵⁶ The provisions are premised on the capacity of persons to participate in the workforce being an important means to achieve social inclusion.

[81] The workforce participation rate and employment to population ratio remain near historically high levels. They are marginally lower than for end of 2024, due to a slight decline in workforce participation by males.

⁵² [2025] FWCFB 74, 340 IR 1 [66]–[71].

⁵³ [2025] FWCFB 3500, 341 IR 1 [70].

⁵⁴ *Ibid* [79].

⁵⁵ Natasha Cortis et al, UNSW Social Policy Research Centre, [Gender-based Occupational Segregation: A National Data Profile](#) (Final Report, 6 November 2023); Fair Work Commission, [Stage 2 Report — Gender Pay Equity Research — Annual Wage Review 2023–24](#) (Report, 4 April 2024).

⁵⁶ [2025] FWCFB 3500, 341 IR 1 [86].

Table 15: Participation rate by gender, persons 15 years and over

	Males (%)	Females (%)	All people (%)
December 2016	70.4	59.3	64.7
December 2023	70.7	62.8	66.7
December 2024	71.5	62.9	67.1
December 2025	70.6	62.9	66.7
April 2026	70.8	62.8	66.7

Source: ABS, *Labour Force, Australia*, April 2026.

Table 16: Employment to population ratio by gender, persons 15 years and over

	Males (%)	Females (%)	All people (%)
December 2016	66.3	55.8	61.0
December 2023	67.8	60.3	64.0
December 2024	68.5	60.4	64.4
December 2025	67.5	60.5	63.9
April 2026	67.5	60.0	63.7

Source: ABS, *Labour Force, Australia*, April 2026.

[82] The Budget forecasts a slight increase in the participation rate (67 per cent) for 2026–27.⁵⁷ The RBA does not publish numerical forecasts for the participation rate but stated in the RBA May Statement that ‘The participation rate is forecast to be little changed over 2026.’ There was a detailed debate in the submissions of the Australian Industry Group (**Ai Group**) and the ACTU concerning whether the slight fall in the participation rate from its high point in 2024 portends a longer-term negative trend. Having regard to the data and the forecasts, we consider that the participation rate has been and is likely to remain high and accordingly we treat this as a neutral factor in our consideration.

[83] Although the overall level of workforce participation remains historically strong, the difference between male and female participation remains significant at about 8 percentage points. This is a function of the fact that, although female participation increased very strongly during the earlier part of the last decade, it appears to have plateaued in the last few years. This indicates that there remain inhibitors to women participating in the workforce at the same rate as men. Additionally, for women who are in the labour force, their underemployment rate (7.0 per cent) is significantly higher than for men (4.7 per cent), suggesting that there also remain gender-based impediments to some women participating as fully in the workforce as they would like.

6. Relative living standards and the needs of the low paid

[84] Sections 284(1)(c) and 134(1)(a) of the FW Act require us to take into account, in exercising our statutory powers in the Review, ‘relative living standards and the needs of the low paid’. The benchmark of the ‘low paid’ that has been adopted in previous Review decisions, and other decisions involving the exercise of modern award powers, is a comparative one, namely an amount which represents two-thirds of the median adult weekly earnings of all full-time employees. Hence, full-time employees who earn below this benchmark are considered ‘low paid’. This comparative benchmark treats the concepts of ‘relative living standards’ and ‘the low paid’ in a consistent way. The two statistical measures of this benchmark are:

⁵⁷ Australian Government, *Budget 2026–27: Budget Strategy and Outlook* (Budget Paper No 1, 12 May 2026) 62.

- (1) ABS *Characteristics of Employment (CoE)* data: \$1164.67 per week (August 2025)
- (2) ABS EEH survey data: \$1234.67 per week (May 2025).⁵⁸

[85] As explained in the *AWR 2024 decision* and the *AWR 2025 decision*, the mere fact that an employee is paid in accordance with a modern award classification which has a minimum weekly pay rate that is below these benchmark amounts does not necessarily mean that the employee is ‘low paid’. That is because the benchmarks are calculated by reference to total cash earnings and therefore include shift allowances, evening and weekend penalty rates payable in respect of ordinary time, the casual loading where applicable, overtime earnings, and other allowances.⁵⁹ By way of example, the minimum weekly rate prescribed by the *Hospitality Award* for a full-time employee at Level 3 is currently \$1014.70. If such an employee does not work any hours which attract a penalty rate, the employee is considered ‘low paid’ because they earn less than both of the above benchmarks. By contrast, if the employee’s regular ordinary hours included two 10-hour shifts on Saturday and Sunday, they would earn \$1214.90 in a week, which would not be ‘low paid’ on at least the CoE measure. However, for employees under modern award classifications with lower minimum weekly rates, it becomes increasingly unlikely that they will be able to enhance their earnings by working hours attracting penalty rates to a sufficient degree to surmount the low-paid threshold. Thus, if the same pattern of hours was worked by an employee classified at Level 1 under the *Hospitality Award* (\$948.00 per week), they would be considered low-paid on either measure. The rate of pay for Level 1 in the *Hospitality Award* is equal to the standard C13 rate which, as we will discuss further, has been established as the lowest rate applicable to ongoing employment in the modern award system and aligns with the NMW weekly rate.

[86] As set out in the *AWR 2025 decision*,⁶⁰ an alternative methodology may be used to identify the low-paid threshold as an hourly rate. This methodology uses the EEH earnings data for all employees paid adult rates and strips out overtime earnings and the casual loading (but not ordinary-time allowances, shift loadings and evening and weekend penalty rates). Using the latest 2025 EEH survey data, this produces an hourly rate of \$28.27. As shown in Table 1 above, 35.9 per cent of modern award-reliant employees are low-paid using this measure. That 64.1 per cent of modern award-reliant employees are not low-paid despite the minimum hourly rates for all award classifications at C10 and below being lower than this threshold indicates the degree to which such employees depend on penalty rates for working ordinary hours at unsociable times to supplement their earnings.

[87] One method of considering the needs of the low paid is to analyse, *Harvester*-style, the budgetary requirements of typical household types in order to determine a minimum rate of pay that is necessary to meet the ‘normal needs of the average employee, regarded as a human being living in a civilized society’.⁶¹ In March 2023, the Commission published a budget standards research report which modelled what was financially required for 14 different household types to meet the Minimum Income for Healthy Living (MIHL) standard together with a

⁵⁸ [Statistical Report — Annual Wage Review 2026](#) (Fair Work Commission, 14 May 2026) Table 8.2.

⁵⁹ [2024] FWCFB 3500, 331 IR 248 [72]–[73]; [2025] FWCFB 3500, 341 IR 1 [92].

⁶⁰ [2025] FWCFB 3500, 341 IR 1 [95].

⁶¹ *Ex parte H V McKay* [1907] CthArbRp12, 2 CAR 1, 3.

supplementary budget covering some common discretionary expenditures and housing costs.⁶² For a single person working full-time, updated to take into account inflation to the March quarter 2026, the after-tax amount required to achieve this standard is \$1020 per week. It would require a pre-tax income of \$1238.52 per week to earn this amount, which is broadly equivalent to the EEH measure of the comparative low-paid threshold earlier identified. For other modelled household types, the amount required is significantly greater: at the top of the range is a single-earner couple with two children, requiring \$1780.00 (or a pre-tax income of \$1902.67) per week. It is not realistically possible now to identify a single typical household type upon which to model a notional minimum wage, as Higgins J did in the *Harvester decision*. For the reasons set out in the *AWR 2025 decision*,⁶³ no single household type amongst those modelled can be identified as applicable to a significant number of low-paid modern award-reliant employees, which makes it impracticable to use the budget standards research as a tool to set the NMW or minimum award wage rates. Further, the outcomes of the modelling for each household type are highly sensitive to assumptions made in respect of housing costs such that outcomes would significantly vary if different assumptions were made.⁶⁴ However, the budget standards research is at least useful to identify those low-paid modern award-reliant employees who are most vulnerable to budgetary pressures and, in this respect, we repeat the conclusion stated in the *AWR 2025 decision*:⁶⁵

... we are satisfied that the budget standards research does indicate that there is some proportion of low-paid award-reliant employees who will struggle to meet the MIHL standard, pay the cost of their residential accommodation and have some reasonable amount left over for discretionary spending. That is most likely to be the case amongst those low-paid employees who would prefer to work more hours (28.5 per cent), since this is indicative of an inadequacy of income, and those who have dependent children (24.6 per cent), particularly single parents (6.4 per cent).

[88] For employees and their households in this category, financial stress is likely to be a day-to-day feature of their lives. HILDA data from 2024 indicates that, amongst low-paid employees households, 30.5 per cent have experienced some form of financial stress, and:⁶⁶

- 13.4 per cent are unable to raise \$4000 in a week for something important;
- 14.3 per cent could not pay electricity, gas or telephone bills on time;
- 8.9 per cent could not pay their mortgage or rent on time;
- 6.9 per cent went without meals;
- 3.4 per cent sought assistance from welfare/community organisations; and
- 14.7 per cent sought financial help from friends or family.

[89] The principal factor affecting the needs of the low-paid, and their relative living standards, over the past five years has been an elevated rate of inflation compared to the two earlier decades this century. There was, first, a large increase in the rate of inflation at the end of the COVID-19 pandemic period as a result of disrupted supply chains being unable to meet post-pandemic pent-up demand. That burst of inflation seemed to have fully receded at the time of the 2025 Review with both headline and trimmed mean inflation having returned to the

⁶² Megan Bedford, Bruce Bradbury and Yuvisthi Naidoo, *Budget Standards for Low-Paid Families* (UNSW Report Prepared for the Fair Work Commission, March 2023).

⁶³ [2025] FWCFB 3500, 341 IR 1 [114].

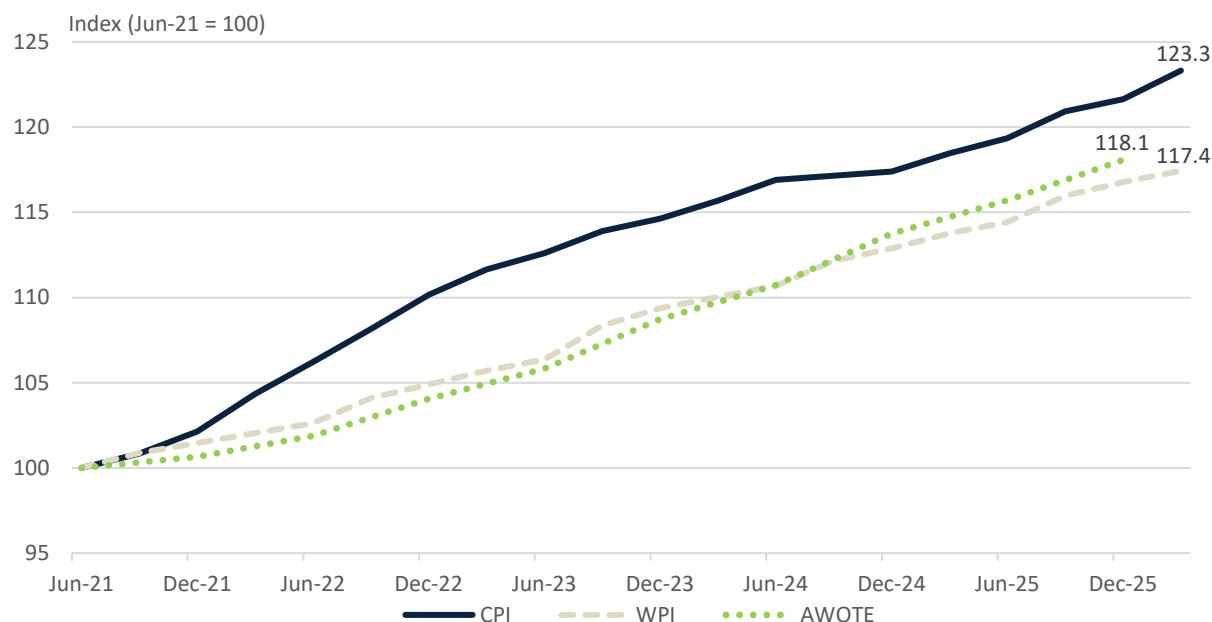
⁶⁴ Ibid.

⁶⁵ Ibid [115].

⁶⁶ *Statistical Report — Annual Wage Review 2026* (Fair Work Commission, 14 May 2026) Table 13.1.

RBA’s target band. However, as earlier discussed, there was some resurgence in inflation in the second half of 2025, and this has now been severely exacerbated by the fuel surge resulting from the Middle East conflict. Over the five-year period from 2021–22 to 2025–26, this has led to a reduction in real wages for employed workers.

Chart 3: CPI, WPI and AWOTE, cumulative increase from June 2021

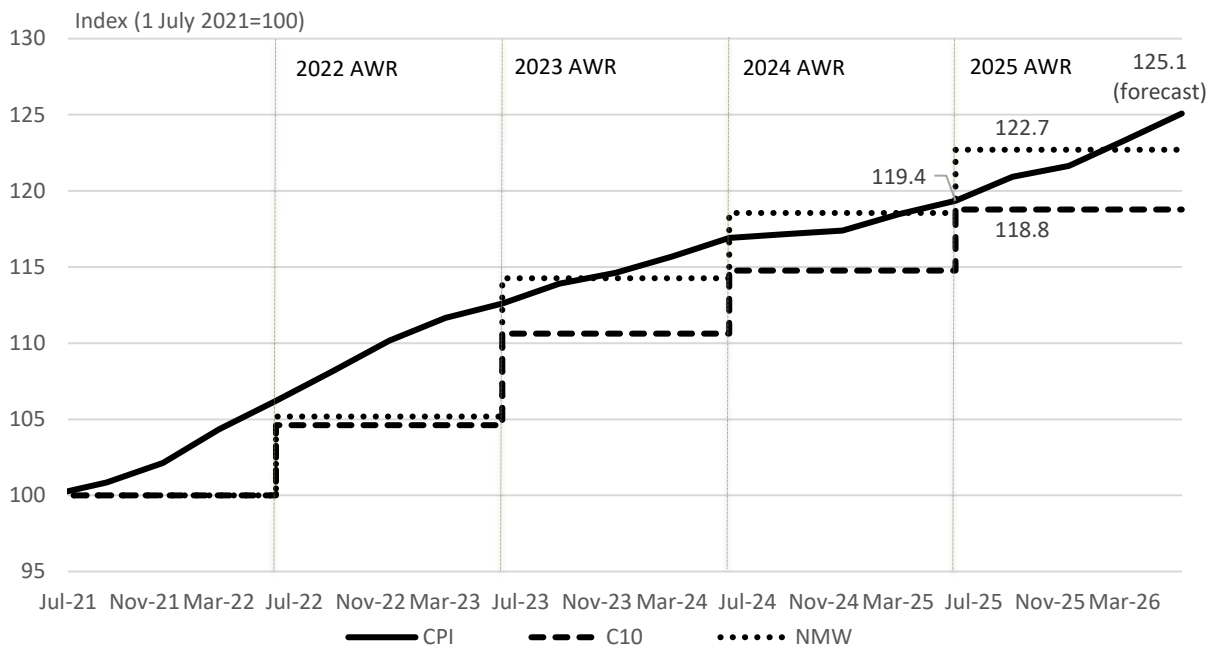


Note: All data is in original terms. AWOTE is published half-yearly for May and November.

Source: ABS, *Consumer Price Index, Australia*, April 2026. ABS, *Wage Price Index, Australia*, March 2026. ABS, *Average Weekly Earnings, Australia*, November 2025.

[90] The loss in real wages for modern award-reliant workers has been lower but still significant. As was noted in the *AWR 2025 decision*, the four Reviews previous to the 2025 Review had each resulted in increases to modern award minimum wage rates which were less than the CPI for the financial year in which the Review was conducted. In the 2025 Review, this position was reversed in that the increase (3.5 per cent) was in excess of the CPI for 2024–25 (2.1 per cent) but this fell slightly short (0.6 percentage points at the C10 rate) of restoring the real wages of modern award-reliant workers as at the date the increase took effect (1 July 2025). The position was different for NMW-reliant workers as a result of the realignment of the NMW with the C13 rate in the *AWR 2023 decision*, resulting in a larger increase to the NMW in 2023 than to modern award wage rates. The result was that, as at 1 July 2025, the NMW had increased by 3.3 percentage points more than the CPI compared to four years before and thus had gained in real value.

[91] However, since 1 July 2025, the resurgence in inflation has significantly eroded the position which applied at that time. The cumulative loss of real wages (**real wage gap**) which has occurred over the past five years is demonstrated in the following chart, which tracks growth in the CPI, the C10 rate and the NMW.

Chart 4: Growth in the CPI, the C10 rate and the NMW from 1 July 2021 to 30 June 2026

Source: ABS, *Consumer Price Index, Australia*, April 2026; Fair Work Commission, *Modern Awards Pay Database*.

[92] At the time of the 2025 Review, the RBA’s forecast for the CPI increase in 2025–26 was 3.1 per cent. Had that forecast proved accurate, a 3.6 per cent increase to modern award wage rates in this Review would have been sufficient to restore such wage rates to the real value they had on 1 July 2021. However, the CPI increase now forecast for 2025–26 by the RBA is 4.8 per cent (with the Budget forecast at 5 per cent). As a result, the minimum increase that would be required to close the real wage gap for modern award-reliant workers at the C10 rate is now at least 5.3 per cent (based on the RBA forecast). Simply to maintain the relative position which applied as at 1 July 2025 would require an increase approximately the same as the forecast CPI increase.

[93] As the ACTU submissions point out,⁶⁷ looking at the reduction in real wages purely by reference to the CPI may understate the real effect of inflation upon low-paid workers who must devote a higher proportion of their income to non-discretionary expenditure items. Over the 12 months to April 2026, the rate of inflation for non-discretionary items⁶⁸ was 5.1 per cent, significantly exceeding the CPI (4.2 per cent) and the inflation rate for discretionary items (2.9 per cent). The LCI which, unlike the CPI, takes into account mortgage interest costs, is currently running below the CPI at 2.6 per cent to the March quarter 2026. However, as was observed by the ABS in its most recent release of this data,⁶⁹ this figure takes into account the RBA’s interest rate reductions last year, but most of the effect of the RBA’s increases in 2026 will not be seen until the June quarter 2026 due to their timing. Thus, the LCI figure does not reflect the current experience of modern award-reliant employees with mortgages.

⁶⁷ [Australian Council of Trade Unions initial submission](#), 27 March 2026 [133].

⁶⁸ Defined by the ABS to comprise goods or services purchased because they meet a basic need (food, shelter, healthcare), are required to maintain current living standards, or are a legal obligation: ABS, [Measuring Non-discretionary and Discretionary Inflation](#) (25 May 2021).

⁶⁹ ABS, [Selected Living Cost Indexes, Australia, March 2026](#), (6 May 2026).

[94] One important development for one segment of the modern award-reliant cohort of employees has been the decision of a Full Bench of the Commission, issued on 31 March 2026,⁷⁰ to phase out junior rates for employees covered by the *Retail Award*, the *Pharmacy Award* and the *Fast Food Award* who are 18 to 20 years of age (**Junior Rates decision**). Under the junior rates provisions of these awards, 18-year-old employees receive 70 per cent of the adult rate, 19-year-olds receive 80 per cent of the adult rate, and 20-year-olds receive 90 per cent during the first six months of employment. The Full Bench has yet to make final orders to give effect to its decision, but the provisional view which it has expressed concerning implementation is that the phasing-out should occur by way of bi-annual increments of 5 per cent, commencing on 1 December 2026. When implemented, this will provide for real wage increases for this segment of employees covered by these three awards.

[95] Leaving aside this development, for most modern award-reliant workers the reduction in the real value of their wages over the past five years will have impacted negatively on their living standards and diminished the capacity of the low paid to meet their needs. There are some Australian Government measures which will ameliorate this to a limited degree. Previously-legislated tax cuts will take effect in the next financial year. From 1 July 2026, the tax rate for incomes in the lowest tax bracket (\$18,201 to \$45,000) will be reduced from 16 per cent to 15 per cent, and will be reduced further to 14 per cent from 1 July 2027. This will directly benefit low-paid employees by an amount of up to \$268 per annum in 2026–27. Together with previously implemented tax cuts, this will offset (to varying degrees, depending on income levels) the effect of ‘bracket creep’ over the last five years — that is, where low-paid workers have had to pay additional tax because of increases in their nominal wages while undergoing a reduction in the real value of their wages.

[96] The Budget includes a measure that will allow employees to claim an instant tax deduction of up to \$1000 from 2026–27. This (when legislated for) will benefit those low-paid employees who are not in a position to otherwise claim tax deductions of this amount, but any benefit will not accrue until after 1 July 2027. The Budget also provided for a Working Australians Tax Offset, which will provide for an annual tax offset of up to \$250 for employees, payable in their tax returns, but this will only operate from 2027–28. These measures therefore will not compensate modern award-reliant low-paid employees for the loss of the real value of their wages over the year ahead.

[97] From 2023, the Commission has taken two steps targeted at improving the position of the lowest paid modern award-reliant employees as well as any NMW-reliant employees. The first step was that, in the *AWR 2023 decision*, the Expert Panel determined that the NMW, which was then aligned with the lowest modern award rate of pay, the C14 rate, should be realigned with the C13 rate. This step was taken on the basis that, for most modern awards, the C14 rate was an introductory and transitional rate of pay and the C13 rate was the lowest rate of pay applicable to ongoing employment.⁷¹ The consequence of this, as discussed earlier, was that by 1 July 2025 the rate of the NMW had increased in real value since 1 July 2021. The second and related step was that, in separate proceedings concerned with a review of all modern award classifications with the C14 rate of pay (**C14 review**), a Full Bench determined in a decision issued on 16 April 2024⁷² that such classifications should operate on an entry-level

⁷⁰ *Application by the Shop, Distributive and Allied Employees Association* [2026] FWCFB 75.

⁷¹ [2023] FWCFB 3500, 323 IR 332 [108]. By ‘ongoing employment’, we mean employment at a classification level indefinitely or for a period which exceeds six months at entry level.

⁷² [2024] FWCFB 213.

basis only for a maximum period of six months and that the lowest rate of pay for ongoing employment in any modern award should be the C13 rate. The implementation of this decision, which was completed by a further decision issued on 19 November 2024,⁷³ involved the variation of 47 modern awards (including some modern enterprise awards) which contained classifications providing for ongoing employment at the C14 rate. The variations which were made involved a restructuring of the relevant classifications of these awards with the practical effect that some categories of employees in ongoing employment classified at the C14 rate were moved up to the C13 rate. For such employees, this resulted in a minimum wage rate increase outside of the Review process of up to 2.7 per cent. The principal awards affected in practical terms were the *Horticulture Award 2020*⁷⁴ and the *Pastoral Award 2020*.⁷⁵ The increases took effect from 1 January 2025 except for these two awards, where the increases took effect on 1 April 2025.

[98] In its consideration of the needs of the low paid in the *AWR 2025 decision*, the Expert Panel referred to these developments and said:⁷⁶

One way in which Review outcomes may more effectively seek to ensure that the needs of the low paid are met is to target higher increases for the *lowest* paid, as occurred in the *AWR 2023 decision*. We discuss the possibility of doing this in the future later in this decision.

[99] The Expert Panel subsequently stated, in its consideration of the overall outcome for the 2025 Review:⁷⁷

We acknowledge that the increase to the NMW and modern award minimum wages which we have determined will not fully correct for the reduction in real wages which modern award-reliant workers have suffered over the past four years. One measure which we considered in this Review was a higher level of wage increase for the lowest paid — that is, employees paid at the C13 rate or below. There is, we consider, some justification for phasing out the C13 rate over time such that the C12 rate becomes the lowest pay rate applicable to ongoing employment in the modern award system. Such a course would assist the position of the lowest paid while not distorting relativities between classifications above this level. We have ultimately decided not to take this course in this Review, principally because some award classifications at the C13 rate have only recently moved up from the C14 rate, or rates below the C13 rate, as a result of the C14 rates review. This is particularly the case with the lowest classifications applicable to ongoing employment in the *Horticulture Award 2020* and the *Pastoral Award 2020*, where the increase from the C14 rate to the C13 rate only took effect on 1 April 2025. This will be an issue for consideration in the 2026 Review, as will be the extent to which the reduction in the real value of modern award wages which has occurred since 2021 may by then be fully remedied.

[100] In a Statement issued on 27 November 2025,⁷⁸ the President announced the timetable for the conduct of the 2026 Review and published a draft research program which included the preparation of a report concerning C12 and C13 classification rates in modern awards having regard to the above statements of the Expert Panel in the *AWR 2025 decision*. This research

⁷³ [2024] FWCFB 438.

⁷⁴ MA000028.

⁷⁵ MA000035.

⁷⁶ [2025] FWCFB 3500, 341 IR 1 [100].

⁷⁷ *Ibid* [149].

⁷⁸ [2025] FWC 3580.

program was confirmed on 24 December 2025.⁷⁹ The foreshadowed report⁸⁰ (**C13 Report**) was initially published on 27 February 2026 and later republished with updated data on 16 April 2026.

[101] The proposal that classifications at the C13 rate be phased out from modern awards and that the C12 rate become the lowest rate applicable to ongoing employment was thus firmly on the agenda for the 2026 Review. Most parties which made submissions in this Review addressed this proposal. The ACTU supported the proposal on the basis that it would provide ‘targeted relief to the lowest-paid adult employees’ and that the cost impact for employers would be modest. However, it submitted that, beyond the ‘short period’ necessary to undertake a process of consultation to consider adjustments to classifications to ‘ensure or preserve the overall integrity of existing skill-based classification pathways’, the change should be implemented in one step as soon as possible after 1 July 2026. It also submitted that the existing C14 rates for temporary entry-level roles should become the new C13 rates.

[102] Employer parties which addressed the C13 issue generally did not support it. The Ai Group accepted that a higher increase to the lowest modern award minimum wages, relative to the increase determined for other modern award minimum wages, would be one way of addressing the concerns about the need to provide real wage increases while resulting in more moderate impacts on employers and the economy compared to the implementation of a larger increase of to all modern award minimum wages. However, it submitted that the specific proposal to phase out the C13 rate might have a ‘profound impact on employers who engage a significant number or proportion of employees at the C13 level’. It also submitted that, at the level of ‘granularity’, differences between the duties, skills and qualifications in the existing modern award classification descriptors at the C12 and C13 levels respectively made the merger of these classifications impractical. It also pointed to the cost impact upon employers (particularly in the horticultural sector, which had already been affected by the C14 review outcome), the compression of relativities and the need to ensure a stable modern award system. The ACCI expressed concern at the impact the proposal would have in narrowing the base of the modern award system and wages more broadly, and submitted that ‘substantially expanding the minimum wage cohort’ would compress relativities, narrow the spread of wages, weaken returns to skill and experience, increase pressure for flow-on adjustment above the new floor and reduce entry-level job opportunities. The ACCI submitted that there was no need for an additional structural increase on ‘real wage catch-up’ grounds, and that the industry sectors that would be affected were already under acute cost pressure.

[103] Relevant to the industry sectors most likely to be affected by the C13 proposal, no specific submissions were made about it by the AHA, the Restaurant and Catering Industry Association of Australia or the Australian Restaurant and Café Association (although the former two organisations generally supported the ACCI’s submission). The National Farmers’ Federation’s (NFF) submission about the proposal was nuanced: it submitted that entry-level pathways into agricultural work should be protected, and that any proposal to make the C12 level the effective minimum ‘floor’ should be approached with caution because it might raise the cost of taking on new entrants who require training and supervision, reduce the availability of genuine entry jobs in seasonal environments and weaken regional participation pathways. The NFF emphasised that the C14 classification continued to operate as a legitimate

⁷⁹ [2025] FWC 3934.

⁸⁰ Alexa Kuzyk et al, [C12 and C13 Classification Rates in Modern Awards](#) (Fair Work Commission Background Paper, 27 February 2026, updated 16 April 2026).

entry-level rate for an initial period of up to six months and submitted that if any structural change was contemplated, it should occur as part of a separate and targeted process, and only with clear evidence of need, genuine consultation and impact assessment, practical transition arrangements and adequate lead time.

[104] The C13 classification was developed as part of the modernised 14-level classification structure for the then *Metal Industry Award 1984* which was adopted in 1990. That classification structure was built around the C10 classification at the trade-qualified level, and expressed the rates of pay for other classifications as a percentage of the C10 rate ('C10 Metals Framework'). Across-award alignments with other awards were then established based on assessed relativities to the C10 rate as part of the 'minimum rate adjustment' process undertaken in the early 1990s (the '**C10 Metals Framework Alignment Approach**'). As explained in the *Stage 3 Aged Care decision*,⁸¹ the C10 Metals Framework Alignment Approach was subsequently applied mechanistically to a wide range of awards, and this was formalised in the principles for the proper fixation of minimum award rates of pay established in the 1998 *Paid Rates Review decision*.⁸² In many cases, the application of the C10 Metals Framework Alignment Approach to awards went beyond an alignment of a benchmark classification rate with the C10 rate, and involved a range of other classifications simply being equivalised with classifications in the C10 Metals Framework. The award modernisation process conducted by a Full Bench of the Australian Industrial Relations Commission during 2008–2009 pursuant to Part 10A of the *Workplace Relations Act 1996*, which first established the modern awards in operation today, substantially continued to apply the C10 Metals Framework Alignment Approach in many awards to establish classifications and rates of pay.⁸³

[105] The C13 classification in the current *Manufacturing and Associated Industries and Occupations Award 2020 (Manufacturing Award)* has a weekly minimum wage rate of \$948.00 per week. Its current and original relativity to the C10 rate and other rates below C10 are set out in the following table.

Table 17: Actual and original relativities of C10, C11, C12, C13 and C14 classifications

Classification	Weekly minimum rate of pay (\$)	Current relativity to C10 (%) (rounded)	Original relativity to C10 (%)
C10	1068.40	100.0	100.0
C11	1014.70	95.0	92.4
C12	982.40	92.0	87.4
C13	948.00	88.7	82.0
C14	922.70	86.4	78.0

Source: Fair Work Commission, *Modern Awards Pay Database*.

[106] The difference between the current and original relativities is explained by the fact that, in the period 1993 through to 2010, annual adjustments to award rates of pay were expressed wholly or partially in flat dollar terms in order to provide a greater benefit to the lower paid. As a consequence, the relativities between the above classifications were compressed and the benefits in terms of higher pay which the C10 Metals Framework was meant to provide for the acquisition of skills and qualifications have been significantly diminished.

⁸¹ [2024] FWCFB 150, 331 IR 137 [76]–[92].

⁸² [1998] AIRC 1413, 123 IR 240, Print Q7661.

⁸³ See *Stage 3 Aged Care decision* [2024] FWCFB 150, 331 IR 137 [95].

[107] As earlier stated, the mechanistic application of the C10 Metals Framework Alignment Approach has meant that many modern awards contain a classification with the C13 rate of pay. The C13 Report discloses that 43 modern awards contain 48 classifications at the C13 level, that another 52 modern awards contain 93⁸⁴ classifications below C12 and above C13, and 33 modern awards have 39 classifications at the C12 level.

[108] An example of an award which reflects the mechanistic application of the C10 Metals Framework Alignment Approach, and which applies to a large proportion of modern award-reliant employees, is the *Hospitality Award*. Its principal seven-level classification structure, in terms of wage rates, mirrors C14–C10, C8 and C7, of the *Manufacturing Award*. However, the skills and qualifications distinctions between the classifications at the C14, C13 and C12 levels are marginal. In no case is the acquisition of a qualification necessary to progress from Level 1 (C13) to Level 2 (C12). The Introductory level classification (C14) is an entry level classification during which an employee is trained and assessed over a period of three months, after which the employee moves to Level 1 (C13) unless further training for another period of up to three months is required. However, in the Food and beverage stream, an employee may then be classified at Level 1 (C13) indefinitely to perform basic duties such as picking up glasses, emptying ashtrays, providing general assistance to more senior employees not including service to customers, removing food plates, setting and wiping down tables, and cleaning and tidying associated areas. These seem to be the sort of duties that an Introductory level employee would be doing. At Level 2 (C12), an employee in the Food and beverage stream may serve customers, dispense liquor and receive money. Similarly, in the Kitchen stream, a Kitchen attendant at Level 1 (C13) may be engaged indefinitely to perform general cleaning duties in the kitchen, assist employees who are cooking, assemble and prepare ingredients for cooking, and undertake general pantry duties. Again, these appear to be entry-level duties. At Level 2 (C12), the Kitchen attendant engages in ‘specialised non-cooking duties in a kitchen or food preparation area or in supervising kitchen attendants’ (despite the Level 3 Kitchen attendant being responsible for supervising other Kitchen attendants), making the distinction between Levels 1 and 2 difficult to discern. In each case, there is, in our view, insufficient acquisition of skills to justify the existence of three classification levels with marginal difference in rates of pay, and the existence of the lower C13 rate may provide a disincentive to multi-skilling, further training and more productive work practices.

[109] The position under the *Hospitality Award* may be contrasted with the *Retail Award*, which also applies to a significant proportion of modern award-reliant employees. The C10 Metals Framework Alignment Approach was not applied in the development of the classification structure in the *Retail Award* other than at the C10 level. Under the *Retail Award*, the lowest classification (Retail Employee Level 1) has a minimum weekly rate of pay \$1008.90, which is slightly below the C11 rate. An employee at this level may be required to perform and exercise a wide variety of duties and skills which may include serving customers, selling any goods (including liquor in a stand-alone bottle shop) and receiving payment. No equivalent to the C14, C13 or C12 classifications in the *Hospitality Award* exists in the *Retail Award*.

⁸⁴ This does not include the original pay rate for a Children’s Services Employee Level 2.1 in the *Children’s Services Award 2010*, which, while below C12 and above C13 at the time the report was first published, was raised above the C12 rate on 1 March 2026.

[110] We consider, as the first step in a structural reform of classifications in modern awards, that classifications applicable to ongoing employment at the C13 level, or below the C12 level should be phased out, with the objective that the C12 level becomes the lowest rate applicable to ongoing employment. This will have the primary objective of being a measure to assist the lowest-paid modern award-reliant employees meet their needs and improve their relative living standards in circumstances where, as earlier discussed, wages growth for modern award-reliant employees has not kept pace with inflation over the last five years. It also has the secondary objective of simplifying classification structures in modern awards by reducing the number of classifications and rates of pay with which employers need to comply. As we have explained, many classifications below the C10 rate involve only marginal differences in skill levels and rates of pay, and their continued existence is difficult to justify. A more contemporary approach to classifying employees may be seen in the *Miscellaneous Award 2020*,⁸⁵ which was developed ‘from scratch’ during the award modernisation process and thus was not directly influenced by historically pre-existing awards. It contains only four classifications in total, and only two are below the C10 level: Level 1, which is an introductory level for the first three months of employment and is aligned with the C14 rate, and Level 2, which is for a non-trade qualified employee and is aligned with the C12 rate. An approach towards this model for lower-paid classifications not involving the exercise of specialised skills is generally desirable since it will decrease the regulatory burden of award compliance on employers (s 134(1)(f)) and will make the affected modern awards simpler and easier to understand (s 134(1)(g)) (although any benefits of this nature will not accrue until the phasing-out process is completed). In addition, because employees earning below the C12 rate are over 57 per cent female,⁸⁶ this structural reform will disproportionately benefit low-paid female workers and aid achievement of the gender objectives in ss 284(1)(aa) and 134(1)(ab).

[111] The C13 Report’s analysis of the 2025 EEH survey data indicates that approximately 1.0 per cent of all employees, or about 119,000 employees in total, were paid at or about the C13 rate or below.⁸⁷ Of these, approximately 60 per cent are modern award-reliant. Of the top 10 modern awards applying to the most modern award-reliant employees, four have classifications at the C13 rate: the *Hospitality Award*, the *Restaurant Award*, the *CS Award* and the *Vehicle Award*. Other awards likely to be most affected include the *Horticulture Award* and the *Pastoral Award* for the reasons earlier explained. Thus, the numbers of employees, and their employers, who would be affected by phasing out classifications at the C13 level are quite small, but they are concentrated in particular sectors and absent from others.

[112] Having regard to these matters, and our general assessment of the relevant economic and business considerations, we consider that the phasing-out of C13 classifications in modern awards should occur in three stages. The pay difference between the C13 level (\$948.00 per week) and the C12 level (\$982.40 per week) is approximately 3.6 per cent, so that closing this difference may be achieved by increasing the C13 rate by 1.2 per cent at each stage. In this Review, we will therefore increase all rates at the C13 level (being the minimum rate applicable to ongoing employment) by a compounded 1.2 per cent in addition to the general increase to modern award wage rates we determine. Desirably, the second and third stages may be implemented in the next two Reviews, but that will ultimately be a matter for the Expert Panels

⁸⁵ MA000104.

⁸⁶ ABS, *Microdata: Employee Earnings and Hours, Australia [DataLab]*, May 2025.

⁸⁷ An alternative calculation using the 2025 CoE data produces a significantly higher estimate, but this calculation methodology must be treated with a high degree of caution for the reasons set out in the *AWR 2025 decision* [2025] FWCFB 3500, 341 IR 1 [97]–[99].

that conduct those Reviews to determine. The C13 rate adjustment in this Review will, in the interim, establish a new minimum wage rate across all modern awards for ongoing employment. Any classifications with a wage rate that is 1.2 per cent or less above the C13 rate will be adjusted to this new minimum wage rate.

[113] Consistent with the objective of maximising assistance to the lowest-paid modern award-reliant employees, classifications at the C14 rate will also rise by the same percentage amount as the C13 rate. This will maintain the pay relativity of entry-level classifications to the lowest classifications for ongoing employment.

[114] The implementation of the phasing-out of classifications at the C13 level (and any other classifications applicable to ongoing employment which are below the C12 rate) will, in a number of modern awards, require restructuring of classification descriptors at the bottom end of the classification structure (as occurred as part of the C14 review). This will be necessary, for example, where an award such as the *Hospitality Award* has classifications at the C13 and C12 levels, so that a merger of these classifications will ultimately become necessary (and perhaps require consequential changes further up the classification structure). Because of the staged process which will be implemented, it is not necessary that this task be undertaken as a prerequisite to the first stage. However, to ensure that what may prove to be a complex process is completed before the implementation of the final phase, the Commission will initiate proceedings later this year to undertake the process outside of future Reviews. It will be an objective of this process to ensure that genuine entry, participation and training pathways are preserved and enhanced.

7. Fair minimum wages for junior employees, trainees and employees with a disability

[115] In discharging our duty to establish and maintain a safety net of fair minimum wages, s 284(1)(e) requires us to take into account ‘providing a comprehensive range of fair minimum wages to junior employees, employees to whom training arrangements apply and employees with a disability’. As explained in the *AWR 2025 decision*,⁸⁸ the modern award system accommodates these matters by providing for junior rates of pay, special rates of pay for trainees and apprentices, and the Supported Wage System for employees with a disability (in addition to the special rates of pay prescribed by the *Supported Employment Services Award 2020*⁸⁹ in respect of disability enterprises⁹⁰). These rates of pay have, since the commencement of the FW Act, been adjusted in accordance with Review outcomes. The NMW orders made since the commencement of the FW Act have also provided for special national minimum wages for junior employees, trainees and employees with a disability who are not covered by a modern award or enterprise agreement. There will be no change to this position as a result of this Review.

⁸⁸ [2025] FWCFB 3500, 341 IR 1 [116].

⁸⁹ MA000103.

⁹⁰ The classification structure and minimum wage rates for employees with a disability covered by the *Supported Employment Services Award 2020* were comprehensively reviewed and restructured in the 4 yearly review of modern awards: see *4 Yearly Review of Modern Awards – Supported Employment Services Award 2020* [2019] FWCFB 8179, [2022] FWCFB 203 and [2022] FWCFB 245.

[116] As we have earlier discussed, an important development since the *AWR 2025 decision* has been the *Junior Rates decision*,⁹¹ in which it was determined to phase out junior rates of pay for employees aged 18 years and over (noting that s 12 of the FW Act defines a ‘junior employee’ as a national system employee who is under 21) in the *Retail Award*, the *Fast Food Award* and the *Pharmacy Award*. There are a number of important findings in this decision which have implications for the system of junior rates across all modern awards:

- (1) Based upon an analysis of the historical setting of junior rates in the Commonwealth system of conciliation and arbitration, the Full Bench found that the rationale for the quantum of junior rates in awards included assumptions about the needs of young people emanating from the *Harvester* era and, later, ‘appropriateness’, ‘reasonableness’, prevailing standards and the level of youth unemployment. In many cases, particularly where junior rates were established by consent, the rationale is not apparent. Relative work value did not appear to have been the guiding consideration: ‘[w]hat is missing is any indication that the percentages chosen were based in some considered analysis that the work of an 18-year-old was generally worth a particular proportion of the value of the work of a 21-year-old.’⁹²
- (2) Consequently, it could not be assumed in respect of the three awards in question that the junior rates for which they provided were determined by reference to any substantial assessment of work value or the modern awards objective.⁹³
- (3) In respect of the three awards, the Full Bench found that there was no general differential in work value as between young adults (persons aged 18–20) and people aged 21 and over, attributable to age, sufficient to justify paying them differently.⁹⁴
- (4) Fairness, in the context of s 284(1)(e), requires taking into account and balancing considerations of disadvantage in bargaining power, competitive disadvantage in the labour market, work value, and the capacity of young people to obtain and retain employment.⁹⁵ Fairness justified young adults under the three awards being paid adult rates (subject to phasing-in and the retention of the existing discounted rates for the first six months of employment with an employer).⁹⁶

[117] There are a number of other modern awards which contain discounted junior rates for employees aged 18 or over and under 21. In the 10 awards with the highest numbers of modern award-reliant employees (see Table 4 above), apart from the awards considered in the *Junior Rates decision*, the *Hospitality Award*, the *Restaurant Award*, the *CS Award*, the *Clerks—Private Sector Award 2020*, the *Cleaning Services Award 2020* and the *Vehicle Award* all provide for discounted rates for at least some junior employees in this category. In addition, Special NMW 3, which sets minimum rates of pay for award/agreement-free junior employees, likewise prescribes discounted rates of pay for employees aged 18 or over and under 21. We

⁹¹ [2026] FWCFB 75.

⁹² *Ibid* [496], see also [529].

⁹³ *Ibid* [526], [544].

⁹⁴ *Ibid* [645], [657], [666].

⁹⁵ *Ibid* [848]–[852].

⁹⁶ *Ibid* [871]–[875].

consider, in light of the findings in the *Junior Rates decision* referred to above, that comprehensive reconsideration of junior rates in all other modern awards and the NMW order for employees in this age category will be necessary to ensure that they constitute ‘fair minimum wages’ for junior employees, consistent with s 284(1)(e). It is not practicable to undertake that task as part of this Review because it is likely that consideration of a considerable body of evidence will be required (as was the case in the *Junior Rates decision*). It may be that the Commission, when its workload permits, commences proceedings on its own initiative to undertake such a review, but it would be our preference for such proceedings to be initiated by application by relevant industrial parties.

8. Access to secure work

[118] Section 134(1)(aa) requires the Commission to take into account, in exercising its modern award powers, ‘the need to improve access to secure work across the economy’. This consideration will be relevant to the Review only to the extent that the Review outcome might affect the capacity of employers to offer permanent (as distinct from casual) employment, since it does not otherwise affect modern award terms concerning different types of employment.⁹⁷

[119] The proportion of the employed workforce who are casual employees (identified by not having leave entitlements) continues to fall: 21 per cent were casual as at February 2026, down from 21.4 per cent in February 2025 and 25.5 per cent in May 2016. There have been similar falls in other incidents of non-secure work:

- 22.3 per cent of employees had variations in their pay between pay periods in August 2025, down from 22.8 per cent in August 2024 and 23.6 per cent in August 2018.⁹⁸
- 16.6 per cent of employees did not usually work the same hours each week in August 2025, down from 16.9 per cent in August 2025 and 20.6 per cent in August 2018.⁹⁹
- 17.0 per cent of employees did not have guaranteed minimum hours per week in August 2025, down from 18.0 per cent in August 2024 and 19.3 per cent in August 2018.¹⁰⁰

[120] In the context of a labour market which remains healthy, this data indicates improving access to secure work and a steady diminution in insecure employment. However, as explained earlier in this decision, the picture for the cohort of modern award-reliant employees is quite different, with the proportion of casual employees steadily growing and now constituting a majority. This suggests an increasing correlation between insecure employment and lower pay, with a majority of all casuals being modern award-reliant. However, this data cannot logically support a conclusion that recent Review decision outcomes have detrimentally affected the capacity of employers to provide permanent employment. No party submitted otherwise.

⁹⁷ [2023] FWCFB 3500, 323 IR 332 [142]; [2024] FWCFB 3500, 331 IR 248 [133]; [2025] FWCFB 3500, 341 IR 1 [121].

⁹⁸ [Statistical Report — Annual Wage Review 2026](#) (Fair Work Commission, 14 May 2026) Chart 12.5.

⁹⁹ *Ibid.*

¹⁰⁰ *Ibid.*

9. Encouragement of collective bargaining

[121] Section 134(1)(b) requires us to take into account ‘the need to encourage collective bargaining’. In the context of this Review, the relevance this matter bears is whether the exercise of modern awards powers to adjust award minimum wage rates may affect the extent to which enterprise bargaining is occurring.¹⁰¹ The starting point for this consideration is the extent of engagement in collective bargaining. The proportion of employees who have their pay set by a collective agreement has remained relatively stable in recent years: it was 34.6 per cent in 2025, compared to 34.0 per cent in 2023 and 35.1 per cent in 2021. However, it is somewhat lower than it was in 2016 (38.5 per cent).¹⁰²

[122] The number of enterprise agreements being approved, and in effect, under the FW Act has been relatively stable in recent years but remains lower than it was a decade ago. However, the number of employees covered by current enterprise agreements reached a record level in 2025 and is significantly higher than it was in 2015. This is explained by the return of a number of very large employers to enterprise bargaining following the end of the COVID-19 pandemic and reforms to the process for making and approving enterprise agreements effected by the SJPB Act.

Table 18: Number of enterprise agreements approved and employees covered, 2015 to 2025*

Year	Number of enterprise agreements approved	Employees covered ('000s)	Number of current enterprise agreements*	Employees covered ('000s)
2015	4998	643.8	14,674	2243.7
2016	5196	663.7	14,760	2072.3
2017	3542	651.1	13,080	1822.3
2018	3864	666.7	11,002	1890.2
2019	5283	932.6	10,839	2251.5
2020	3281	521.5	10,092	1907.6
2021	4363	547.0	10,749	1661.4
2022	4166	837.9	11,326	1800.8
2023	4111	844.0	10,277	2035.5
2024	4373	1383.7	10,823	2651.5
2025	4139	687.5	11,460	2735.0

Note: *At December quarter. Current agreements have been approved and have commenced, but have not been terminated, have not nominally expired and have not been replaced at a given point in time. An agreement is deemed to be current on its nominal expiry date.

Source: *Statistical Report — Annual Wage Review 2026* (Fair Work Commission, 14 May 2026) Table 10.1; Department of Employment and Workplace Relations, *Trends in Federal Enterprise Bargaining*, December quarter 2025.

[123] The position in the industry sectors with the highest concentrations of modern award-reliant employees is more mixed. There has been a substantial increase in the number of employees in Retail trade who are covered by current enterprise agreements, reflecting that a number of very large retail employers have returned to enterprise bargaining in recent years. However, the number of enterprise agreements remains relatively low, indicating a low uptake in enterprise bargaining amongst smaller employers. There has likewise been an increase in the number of employees covered by enterprise agreements in Health care and social assistance,

¹⁰¹ [2023] FWCFB 3500, 323 IR 332 [148].

¹⁰² *Statistical Report — Annual Wage Review 2026* (Fair Work Commission, 14 May 2026) Chart 7.1.

although this appears to be a consequence of a larger number of agreements being reached. By contrast, in Accommodation and food services and Administrative and support services, enterprise bargaining remains at low levels in terms of employees covered.

Table 19: Number of enterprise agreements current at the last day of each year, 2022–2025

Agreements current at the last day of each year		2022	2023	2024	2025
Accommodation and food services	Agreements	103	109	105	114
	Employees ('000)	56.3	59.0	21.2	26.3
Administrative and support services	Agreements	218	177	168	175
	Employees ('000)	19.4	17.3	16.3	19.2
Health care and social assistance	Agreements	664	733	785	775
	Employees ('000)	395.6	458.7	502.4	484.1
Retail trade	Agreements	132	143	128	135
	Employees ('000)	226.0	119.3	365.3	430.4

Source: Department of Employment and Workplace Relations, *Trends in Federal Enterprise Bargaining*, December quarter 2025.

[124] The data above does not permit any inference to be drawn that the level of modern award wage increases determined in recent Review decisions has operated either as an incentive or disincentive to enterprise bargaining. No party's submission has substantiated (beyond the level of assertion) any correlation between Review outcomes and the extent of enterprise bargaining. We repeat the conclusion stated in recent Review decisions that within a reasonable range, any increase we might order to the NMW and modern award minimum wage rates will neither encourage nor discourage enterprise bargaining.¹⁰³

10. Remaining matters

[125] The remaining mandatory considerations in s 134(1) are:

- the need to promote flexible modern work practices and the efficient and productive performance of work (s 134(1)(d));
- the need to provide additional remuneration for working overtime, unsocial, irregular or unpredictable hours, on weekends or public holidays, or shifts (s 134(1)(da)); and
- the need to ensure a simple, easy to understand, stable and sustainable modern award system for Australia that avoids unnecessary overlap of modern awards (s 134(1)(g)).

[126] Except as discussed in relation to the C13 issue in section 6 of this decision, we do not consider that any of these matters is relevant to the Review since they do not relate to the setting of minimum wage rates in modern awards.

11. Consideration

[127] The discharge of the Commission's obligation under s 285 of the FW Act to conduct this Review involves an evaluative exercise which is informed by the mandatory considerations

¹⁰³ [2023] FWCFB 3500, 323 IR 332 [155]; [2025] FWCFB 3500, 341 IR 1 [128].

in ss 284(1)(a)–(e) and 134(1)(a)–(h) (as applicable), as well as the object of the FW Act in s 3. The FW Act does not assign any particular primacy to any of the considerations in ss 284(1) and 134(1), and the relevance of and weight to be assigned to the considerations will vary depending upon the social and economic context and other facts and circumstances of the particular Review.¹⁰⁴ The complex balancing exercise which is required has led the Commission in previous Reviews to eschew a mechanistic approach to the adjustment of modern award minimum wage rates.¹⁰⁵ However, in recent Review decisions, the Commission has stated, as a guiding principle, that in the medium to long term, it is desirable that modern award minimum wages maintain their real value and increase in line with the trend rate of national productivity growth.¹⁰⁶ We again affirm this principle as central to the maintenance of a safety net of fair minimum wages over time. However, how that principle is to be applied in a particular Review is subject to the exigent circumstances applying at the relevant time as relevant to the mandatory considerations in ss 284(1) and 134(1).

[128] In the 2025 Review, the Expert Panel focused on the reduction in real wages which modern award-reliant employees had suffered since the beginning of the post-pandemic inflationary spike in 2021. This had arisen because the increases to minimum wage rates in modern awards determined in the three previous Review decisions had, in each case, been exceeded by the CPI for the financial year to which the Review related. The gap which had opened up between the benchmark C10 modern award rate and the CPI over this period was quantified at 4.5 percentage points. Having regard to this real wage gap the Expert Panel said:¹⁰⁷

Having regard to the principle earlier stated, the critical question which arises in this Review is whether the time has come to recover any of this lost real value in modern award wages, and to a lesser extent in the NMW, in order to meet the objective of maintaining a safety net of fair minimum wages. This would require an increase in excess of the growth rate in the CPI, which is currently at 2.4 per cent for the 12 months through to the March quarter 2025, and is projected to be 2.1 per cent (RBA) or 2½ per cent (Budget) for 2024–25.

[129] The outcome determined by the Expert Panel was an increase of 3.5 per cent to modern award minimum wage rates and the NMW. This amount was determined in a context where inflation had returned to a rate within the RBA’s target band and the economy was perceived to have achieved a ‘soft landing’.¹⁰⁸ Having regard to the then current rate of inflation, the Expert Panel determined that it was appropriate to award a real increase to modern award wage rates in order to take a step towards closing the real wage gap. In this respect, the Panel said:¹⁰⁹

... Over the last three annual wage reviews, any correction to the ongoing reduction in the real value of modern award minimum wages has repeatedly been deferred out of concern for the inflationary environment. This has adversely affected the living standards of modern award-reliant employees, who are disproportionately low-paid, female and working only part-time hours. We consider that it is necessary for us to take some action now lest this reduction in real wages become permanently embedded in the modern award system. The return of inflation to

¹⁰⁴ See *4 Yearly Review of Modern Awards: Preliminary Jurisdictional Issues* [2014] FWCFB 1788, 241 IR 189 [32]; *AWR 2023 decision* [2023] FWCFB 3500, 323 IR 332 [22].

¹⁰⁵ *Annual Wage Review 2016–17* [2017] FWCFB 3500, 267 IR 241 [129]; *AWR 2023 decision* [2023] FWCFB 3500, 323 IR 332 [22].

¹⁰⁶ [2023] FWCFB 3500, 323 IR 332 [179]; [2024] FWCFB 3500, 331 IR 248 [154]; [2025] FWCFB 3500, 341 IR 1 [131].

¹⁰⁷ [2025] FWCFB 3500, 341 IR 1 [138].

¹⁰⁸ *Ibid* [140].

¹⁰⁹ *Ibid* [145].

the RBA's target range and a concomitant easing in interest rates provide us with the opportunity to do so.

[130] In respect of the productivity aspect of the guiding principle to which we have referred, the Expert Panel in the 2025 Review treated 'Australia's continuing poor performance in labour productivity growth' as a restraining factor on the size of the wage increase it awarded.¹¹⁰

[131] The current circumstances in which the Australian economy finds itself, which we are required to take into account under ss 284(1)(a) and 134(1)(h), are not what was forecast at the time of the 2025 Review. The forecasts for inflation relied upon in the *AWR 2025 decision* for 2025–26 were 3.1 per cent (RBA) and 3 per cent (Budget), with the RBA forecasting trimmed mean inflation to be within its target band.¹¹¹ Had those forecasts come to fruition, this Review might have presented an opportunity to close the real wage gap that had opened since July 2021 between modern award minimum wage rates and the CPI once and for all. However, as earlier discussed, inflation accelerated in the second half of 2025 as higher-than-forecast economic growth caused the economy to reach capacity constraints. By February 2026, the CPI was running at 3.7 per cent. This led to the RBA returning to the path of tightening monetary policy. This development was followed by the Middle East conflict which quickly led to a significant worldwide disruption to oil supplies. This has further accelerated CPI inflation, which is now running at 4.2 per cent and is forecast to reach 4.8 per cent (RBA) or 5 per cent (Budget) by the end of the financial year. At the time of this decision, Iran and the United States are maintaining their respective blockades of the Persian Gulf and it remains uncertain when normal supply of oil will resume. Even if this does resume in the near future, petrol and diesel prices in Australia are not likely to return to their pre-conflict norm for a number of months.

[132] The result of these events upon our consideration is twofold. *First*, an accelerating rate of inflation requires a degree of caution on our part as to the size of the increase to be awarded. Even though the capacity of any reasonable Review outcome to directly affect wages growth generally, and hence inflation, is very limited, we are cognisant of any 'signalling' effect the decision we make may have on inflationary expectations. *Second*, and more significantly, the Middle East conflict has created a large degree of uncertainty as to the trajectory of the economy. It is clear at least that there has already been a major loss in business confidence, and input cost pressures and a slackening in discretionary spending by consumers in the face of petrol price and interest rate increases are likely to affect business activity at some stage (if not already), even if the Middle East conflict is resolved on some basis in the near future. The worse-than-expected April unemployment result may be an early indicator of this. These factors operate to moderate the size of the modern award wage rate increase in this Review.

[133] However, the difficulties which the national economy currently faces should not be exaggerated. The economy was growing at a healthy rate to the end of 2025 and is forecast to continue to grow during 2026–27, albeit at a slower rate as a consequence of the RBA's tightening of monetary policy. Although unemployment increased in April, the labour market remains fundamentally stronger than at any time in the decade prior to the pandemic, with the participation rate remaining at a near-historic high level and hours of work increasing. Despite the RBA assessing that the labour market has been and remains somewhat tight, wages growth has been moderate to the extent that real unit labour costs decreased slightly during 2025. This moderation in wages growth is predicted to continue during 2026–27. Finally, and most

¹¹⁰ Ibid [9], [141].

¹¹¹ Ibid Table 7.

importantly in the current circumstances, the CPI is forecast by the RBA and the Budget to return to the RBA's target band by June 2027, with the trimmed mean lying slightly above it. While these forecasts assume a return to the pre-conflict petrol and diesel price environment, and are thus dependent to a significant degree on whether there is a resolution to the Middle East conflict which results in a restoration of 'normal' oil supplies, they constitute the only source of understanding we have as to the trajectory of the inflation rate.

[134] The loss of real value in the wages of modern award-reliant employees, and the effects of this on the low paid, remain fundamental factors in our consideration in this year's Review having regard to the overriding requirement in s 284(1) for the minimum wage safety net to be 'fair' and the mandatory considerations in ss 284(1)(c) and 134(1)(a). Last year's increase reduced the real wage gap as at 1 July 2025 to about 0.6 of a percentage point for a modern award-reliant worker at the benchmark C10 level, but the acceleration in inflation has opened up that gap to the extent that it would now require a 5.3 per cent increase to close the gap (using the RBA's forecast for the CPI to June 2026). Low-paid modern award-reliant workers, who constitute almost 60 per cent of all low-paid employees, will feel the effects of this the most, particularly as inflation in non-discretionary — that is, essential — goods and services is significantly higher than the CPI at 5.1 per cent. It is also necessary to take into account that modern award-reliant employees tend to have less secure week-to-week incomes, since they predominantly work less than full-time hours and the majority are employed casually. Vulnerable groups in society, such as indigenous Australians and immigrants not from the main English-speaking countries, are also disproportionately represented in the modern award-reliant cohort of employees. These characteristics operate to magnify the disadvantage of a reduction in real wages. Further, there is a proportion of employees who appear to be entrenched in modern award-reliant employment on a medium- to long-term basis, and their living standards are therefore much more dependent upon the extent to which modern award wage rates maintain or lose their real value.

[135] As earlier stated, productivity was treated as a restraining factor on the size of the increase to be awarded in last year's Review decision, in the context of an actual reduction in productivity both overall and in the market sector in the year to December 2024. The year to December 2025 showed a much-improved picture: labour productivity overall increased by 1 per cent and, in the market sector, it increased by 1.5 per cent. This return to productivity growth, accompanied by a significant increase in business investment, is clearly a welcome development. However, the figures for productivity growth tend to fluctuate from year to year because of short-term changes in the number of hours worked, and this tendency has become more marked in the years during and since the pandemic. The Commission has in past Review decisions placed greater weight on productivity changes over multi-year cycles. The position remains that, over the last five years, there has been no overall growth in productivity. We do not consider therefore that there is a productivity-related justification to award a real increase in modern award wage rates in this year's Review. Future Reviews will no doubt revisit the issue of productivity-based wage rate increases if the productivity growth which occurred in 2025 is sustained.

[136] Prior to the commencement of the Middle East conflict, business was generally in a sound position with rising profits and investment, and growing demand and output hampered in some cases by capacity constraints. In the market sectors in which modern award-reliant employees are most concentrated, namely Retail trade, Accommodation and food services and Administrative and support services, business conditions also improved and hours worked increased and, except in restaurants, cafes and catering, profit margins were healthy. However,

the uncertainty engendered by the Middle East conflict, as well as the effect of increasing interest rates, is likely to put pressure on business in terms of increasing input costs and softening demand in discretionary expenditure, but there is very little available data as yet by which the extent of this may be assessed.

[137] As earlier explained, ss 284(1)(aa) and 134(1)(ab) require constant attention to be paid to the need to achieve gender equality. On most measures, the gender pay gap has reduced to historically low levels in recent years, and has been eliminated amongst the modern award-reliant workforce. However, the overall gap as measured by AWOTE remains significant at 11.5 per cent. The implementation of the outcomes of the Commission's now-completed Priority Awards Review, which are intended to rectify gender-based undervaluation identified in the minimum wage rates of a number of modern awards applicable to female-dominated workforces, will make a contribution to further reducing the gender pay gap in coming years. However, there remains a contribution which Review outcomes may make to this objective. The modern award-reliant workforce is now female-dominated, with over 60 per cent being women compared to 49.9 per cent for the balance of the workforce according to the 2025 EEH survey data. Any Review increase to modern award minimum wage rates which is above general wages growth across the labour market will therefore disproportionately benefit female workers and make some contribution to narrowing the aggregate gender pay gap.

[138] Having regard to these matters, we do not consider that it is practicable in this year's Review to award a real increase to all modern award minimum wage rates such as to close the real wage gap which has opened up since 2021. The risk of contributing to inflationary expectations, a slowing economy caused by the RBA's tightening of monetary policy and, most importantly, the uncertainty engendered by the Middle East conflict, militate against this course. However, we consider that we should award a general increase that is sufficient to protect modern award-reliant employees against any further erosion in the real value of their wages and to return such employees to the position relative to inflation achieved in the 2025 Review. We use as the benchmark in this respect the RBA's forecast of a CPI rate of 4.8 per cent for the year to June 2026. Further, we will make a special structural adjustment to the wage rates for employees at the C13 and C14 levels, as discussed in section 6 of this decision, which will ensure that the real wage gap for the very lowest-paid employees is entirely closed.

[139] Consistent with the alignment established in the *AWR 2023 decision* between the NMW and the C13 modern award rate of pay, which is now the lowest rate of pay applicable to ongoing employment, we have decided to increase the NMW to \$1004.90 per week or \$26.44 per hour. In respect of the special national minimum wages for junior employees, employees to whom training arrangements apply and employees with a disability required by s 294(1)(b), the existing arrangements will be applied to the new rate of the NMW which we have set. The casual loading for award/agreement-free employees will remain at 25 per cent. In accordance with s 287 of the FW Act, the NMW order we make by this decision will come into operation on 1 July 2026.

[140] Having regard to the matters outlined and the rate of the NMW which we have set, we have decided to increase minimum wage rates in all modern awards by 4.75 per cent. This is subject to the structural adjustment to the C13 and C14 rates we have decided to make, which will mean that the lowest rate in any modern award applicable to ongoing employment must be at least \$1004.90 per week or \$26.44 per hour, and any entry-level rate that is applicable to no more than the first six months of employment must be at least \$978.10 per week or \$25.74 per

hour. The variations to modern awards to give effect to these increases will come into operation on 1 July 2026, in accordance with s 286.

[141] It is again necessary to acknowledge that, for modern award-reliant employees above the C13 rate of pay, their adjusted wage rates as at 1 July 2026 will still remain somewhat below what they were on 1 July 2021 in real terms, on the basis of the RBA forecast for the CPI for 2025–26. Should the RBA and Budget forecasts for inflation for 2026–27 materialise, there will be an opportunity for this real wage gap to be closed entirely in the 2027 Review.

12. Conclusion — orders and determinations

[142] The orders and determinations we will make to give effect to this decision are summarised as follows. *First*, the NMW order will contain:

- (a) A national minimum wage of \$1004.90 per week or \$26.44 per hour;
- (b) Two special national minimum wages for award/agreement-free employees with a disability: for employees whose productivity is not affected, a minimum wage of \$1004.90 per week or \$26.44 per hour based on a 38-hour week, and for employees whose productivity is affected, an assessment under the Supported Wage System (SWS), subject to a minimum payment fixed under Schedule A to the order;
- (c) Wages provisions for award/agreement-free junior employees based on the percentages for juniors in the *Miscellaneous Award 2020* applied to the national minimum wage;
- (d) The apprentice wage provisions and the National Training Wage Schedule in the *Miscellaneous Award 2020* for award/agreement-free employees to whom training arrangements apply, incorporated by reference; and
- (e) A casual loading of 25 per cent for award/agreement-free employees.

[143] The NMW order will operate from 1 July 2026, and will take effect in relation to a particular employee from the start of the employee’s first full pay period on or after 1 July 2026.

[144] *Second*, modern award minimum wage rates will be increased by 4.75 per cent, provided that:

- (1) the lowest rate in any modern award applicable to ongoing employment must be at least \$1004.90 or \$26.44 per hour; and
- (2) any entry-level rate that is applicable to no more than the first six months of employment must be at least \$978.10 per week or \$25.74 per hour.

[145] Trainee and apprentice wage rates in modern awards which are not expressed as a percentage of another classification rate shall be increased by 4.75 per cent.

[146] The variation determinations in respect of all modern awards, modern enterprise awards and State reference public sector awards will operate from 1 July 2026 and take effect in relation

to a particular employee from the start of the employee's first full pay period on or after 1 July 2026.

[147] The determinations necessary to give effect to the increase in modern award minimum wage rates will be made available in draft form shortly after this decision. Determinations varying the modern awards will be made as soon as practicable and the modern awards including the varied wage rates will be published as required by the FW Act.

[148] Our determination in this Review is that the wage rates in any remaining transitional instruments and copied State awards are also increased by 4.75 per cent. This determination comes into operation on 1 July 2026 and takes effect in relation to a particular employee from the start of the employee's first full pay period on or after 1 July 2026. The Commission is not required to publish the rates of the wages in the relevant transitional instruments or copied State awards as so varied, and accordingly we will not do so.

[149] We wish to express our appreciation to the parties who participated in this Review for their contributions and to the staff of the Commission for their assistance.



PRESIDENT

Appearances:

A Kentish and T Greenwell for the Australian Council of Trade Unions.

J Newton for the Australian Manufacturing Workers' Union.

S Miller for The Australian Workers' Union

J Liley for the Construction, Forestry and Maritime Employees Union — Construction & General Division.

M Cowgill and C Perks for the Australian Government represented by the Department of Employment and Workplace Relations and Department of Treasury.

S Schmitke and P Grist for the Australian Chamber of Commerce and Industry.

B Ferguson and J Wilson for The Australian Industry Group.

N Cameron for the Housing Industry Association.

J Hart for Restaurant and Catering Industry Association of Australia Incorporated and Restaurant & Catering Australia – Industrial Relations Incorporated.

R Paturzo-Elliott in person.

Hearing details:

2026.

Sydney with video link using Microsoft Teams:
20 May.

Appendix: List of submissions by parties

Initial submissions (27 March 2026 round)

Party	Date of submission
Australian Business Industrial and Business NSW	27 March 2026
Australian Catholic Council for Employment Relations	26 March 2026
Australian Chamber of Commerce and Industry	27 March 2026
Australian Council of Social Service	27 March 2026
Australian Council of Trade Unions	27 March 2026
Australian Government	26 March 2026
Australian Hotels Association	30 March 2026
The Australian Industry Group	27 March 2026
Australian Manufacturing Workers' Union	27 March 2026
Australian Restaurant & Cafe Association	26 March 2026
Australian Services Union	27 March 2026
The Australian Workers' Union	27 March 2026
Centre for Indigenous People and Work	26 March 2026
Communications, Electrical, Electronic, Energy, Information, Postal, Plumbing and Allied Services Union of Australia	27 March 2026
Construction, Forestry and Maritime Employees Union (Construction and General Division)	27 March 2026
Council of Small Business Organisations Australia	27 March 2026
Housing Industry Association	27 March 2026
initiatefuturity	27 March 2026
Lawrence, Brian	27 March 2026
Master Grocers Australia	27 March 2026
National Farmers' Federation	26 March 2026
New South Wales Government	27 March 2026
Paturzo-Elliott, Robert	22 March 2026
Potts, Simon	27 March 2026
Queensland Government	24 March 2026
Restaurant & Catering Industry Association	27 March 2026
Shop, Distributive and Allied Employees Association	27 March 2026
South Australian Wine Industry Association	27 March 2026
United Workers' Union	27 March 2026
Veterinary Nurses Council of Australia	30 March 2026
Victorian Government	26 March 2026
Western Australian Government	27 March 2026

Reply submissions (1 May 2026 round)

Party	Date of submission
Paturzo-Elliott, Robert	4 April 2026
Retail and Fast Food Workers Union Incorporated	28 April 2026
Council of Small Business Organisations Australia	28 April 2026
Construction, Forestry and Maritime Employees Union (Construction and General Division)	1 May 2026
Australian Retail Council	1 May 2026
Australian Manufacturing Workers' Union	1 May 2026
Australian Council of Trade Unions	1 May 2026
Australian Chamber of Commerce and Industry	1 May 2026
The Australian Industry Group	1 May 2026
NSW Farmers Association	1 May 2026
The Pharmacy Guild of Australia	1 May 2026
Paturzo-Elliott, Robert (second submission)	2 May 2026
Australian Meat Industry Council	6 May 2026

Supplementary / post-Budget submissions and responses to questions on notice (15 May 2026 round)

Party	Date of submission
Paturzo-Elliott, Robert	9 May 2026
Council of Small Business Organisations Australia	14 May 2026
Australian Government	15 May 2026
National Farmers' Federation	15 May 2026
The Australian Industry Group	15 May 2026
Construction, Forestry and Maritime Employees Union (Construction and General Division)	15 May 2026
Australian Council of Trade Unions	15 May 2026
The Australian Workers' Union	15 May 2026
Australian Chamber of Commerce and Industry	15 May 2026
Victorian Government	15 May 2026

Submissions relating to 27 May 2026 CPI monthly release of data

Party	Date of submission
Australian Council of Trade Unions	27 May 2026
Paturzo-Elliott, Robert	27 May 2026
Australian Chamber of Commerce and Industry	28 May 2026

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